Upside

DUFF & PHELPS

Autumn 2013

Proudly celebrating our second anniversary as part of Duff & Phelps

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Welcome


Paul Clark


David Whitehouse

New location
New challenges ahead
Same old faces!

Since the last edition of Upside, Duff & Phelps in London has taken up residence in The Shard.

The Summer has seen the two former Duff & Phelps offices in London unite under one roof. Whilst we have previously been collaborating together across our two locations, we are now fully integrated with our colleagues representing Valuation Services and M&A as we settle into this prestigious new building.

It is already clear that this move gives us a platform to drive creative solutions and options for our clients, and to generate more opportunities for our introducer base. More news on our move to The Shard is covered in Jason Godefroy's article, on page 3.

In terms of client facing work, the teams have been active over the Summer with a number of new and challenging engagements. June saw the team in Birmingham appointed as Administrators to the High Street retailer, Dwell. The Leeds office, which opened earlier this year, is gathering momentum. Having recruited several new team members to work alongside Jeremy Bennett, Leeds is seeing a steady flow of assignments that are keeping the team engaged.

The London team continues to work towards preserving value and jobs, through the strategic turnaround and restructure of businesses, including one of the UK's leading carpet manufacturers, Axminster; the Gatecrasher nightclubs; and the commercial vehicle dealership, Grays Truck Centre. Whilst the Manchester office has seen an increase in the level of property led assignments.

These cases help cement our presence in the UK mid market restructuring arena, although we do now have a significant global reach that can, if needed, provide access to strategic investors and restructuring expertise. As always, we remain supporters of ABL and factoring, as an effective financing structure to support growth, turnaround or restructuring situations. We still have the same clear vision for the business, to become the UK's leading mid market restructuring firm.

On a more personal note, August saw the inaugural Matthew Bond Memorial Shield – Cricket Sixes Tournament, in memory of our friend and colleague. On the day, more than 80 players and spectators joined Duff & Phelps, and the Business Restructuring practice of Pinsent Masons, at the historic Honourable Artillery Company in London.

There was some high quality cricket played during the tournament, with the team from HSBC winning the final. Matt would have very much enjoyed the day, and we would like to thank all of you who joined us to mark the occasion.

As always, we hope you find the articles that follow of value and interest. In this edition of Upside, we are pleased to have a guest contributor: Christopher Hart, who is the current President of the Turnaround Management Association in the UK. You can read his views on the economic recovery on page 6.

We also have feature articles on the retail industry, two case studies taking an in depth look at Axminster Carpets and Grays Truck Centre, as well as an insight into some of the issues currently affecting small and medium-sized law firms. One of our recently promoted Directors, Michael Bills, contributes an article, together with fellow Director James Palmer, on fairness opinions and how they can be used in restructuring situations.

On 1 November 2013, it will be two years since we joined Duff & Phelps. Our senior management team remains just as focused as ever on adding client value. We are very proud of the Duff & Phelps business, and we believe the transition has been a great success, with much more to come. Thank you for your support as always and if any of the team can assist with consulting and restructuring advice, please do not hesitate to get in touch.

We really hope you enjoy this edition of Upside.

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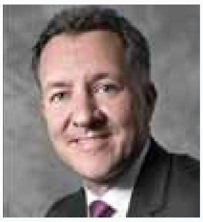

Jason Godefroy

To the point

It is two years since MCR's restructuring business was acquired by Duff & Phelps. We are now pleased to be sitting alongside our Valuation and M&A colleagues, following our recent consolidation into London's new iconic landmark building, The Shard.

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The Shard is the tallest building in Western Europe. The glass-clad pyramidal tower of 72 habitable floors, stands 310 metres tall and is a multi-use 'vertical city' incorporating offices, restaurants, a 5-star hotel, residential apartments, London's highest viewing platform and now, of course, the team at Duff & Phelps.

It is not difficult to be mesmerised by such an elegantly designed structure that makes such an impact on the London skyline. It was designed by the Italian architect Renzo Piano. It sits neatly on top of a major transport hub, is close to the financial centre and boasts spectacular views. Borough Market, one of the largest and oldest food markets in London, and Bermondsey High Street are also close by, with their huge offerings of vibrant restaurants, bars, sandwich bars and coffee shops.

Whilst the viewing platforms at the top have 360 degree views of the capital, some of the best views are reserved for the three sky-high restaurants and bars.

Those of you who have visited us so far will be aware that we are temporarily based on the 4th floor. However, the 14th floor is currently being made ready for us and we are looking forward to a slightly longer lift journey when we move floors, later in the year.

But… what really is the point?

Whilst The Shard offers great office space and great transport links, in an up and coming area just a short walk from the heart of London's Culture and Financial Districts, its main benefit is that it brings together our different service lines under one roof.

It's an exciting time for Duff & Phelps and fully marks the complete and final integration of the various business streams. We believe that being together in one location will enable us to further leverage and take advantage of the synergies amongst our valuation, restructuring and M&A teams. We consider that the move will create greater opportunities for us to work together collaboratively, across these different service lines, to ensure that we continue to deliver a robust offering of technical expertise and sound advice to our clients.

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The legal sector:
An industry under threat

How are small and medium-sized law firms being affected by the current pressures in the industry?

The UK legal sector has been facing a series of challenges recently, which has resulted in a number of high profile restructurings and mergers in the industry. Some firms have even had to enter into administration.

For many small and medium-sized law firms there is now a real survival risk. Firms have found themselves facing difficult trading conditions, including over supply in the sector and declining revenues, as well as expensive and inflexible fixed cost base and high partner attrition rates. The key to their survival will be how they develop a sustainable business model and adapt to changing market forces.

Planning ahead

Firms have recently had to fund their annual Professional Indemnity Insurance (PII) renewals, which fell due on 1 October. It was reported that more than 170 firms had failed to secure PII before the deadline. Factoring in provisions around PII, together with liabilities such as quarterly rent charges and recent changes in regulation, it is not surprising that industry observers predict more near term failures in the sector. Many firms will have to consider applying for short term funding from their existing lenders, to meet their financial obligations.

These financial challenges are happening at a time when both The Law Society and the Solicitors Regulation Authority (SRA) are increasingly active both in monitoring law firms and looking to intervention, where issues arise. Any failure, will require the consent and approval of the SRA, which will demand a plan to deal with run off cover and the protection of client files.

The restructuring and turnaround of a law firm not only involves the practice, whether it is a limited company, LLP or traditional partnership, but also the individual partners or members. Often, the partners will have professional and partnership loans in use, to fund their firms' capital requirements.

So, should we be pessimistic about the longer term future of the legal sector?

The introduction of ABS

Recent legislative changes have allowed the introduction of Alternate Business Structures (ABS), which enables investment by entities outside of the legal profession into legal practices. Once investment into the legal sector reaches a critical mass, it is likely we will see a polarisation from which only two types of practices will survive in the long term: highly efficient practices selling commoditised law at a price set by the prevailing market conditions, and prestige practices selling bespoke legal advice for which they are able to dictate the price.

Jeremy Bennett

Jimmy Saunders

Providing value for money

Delivering more legal service at less cost is a key value proposition and one likely to become increasingly important to the clients of small and medium-sized legal practices. It is expected that fixed fee offerings will become the norm, as small and medium-sized practices vie for work.

Offering a fixed fee does not necessarily mean offering the lowest price. A fixed fee can be attractive to potential clients, who are seeking transparent pricing. Price comparison websites are already starting to compare basic legal services such as conveyancing and family matters.

IT and the rise of the virtual law firm

UK lawyers should not dismiss the rise of foreign legal practices and in particular, the increasing outsourcing of legal work abroad. Accountants widely use outsourcing as a means of lowering costs, so why not lawyers?

The ability to outsource services offshore is aided by rapid advancements in information technology, which makes it easier, more cost efficient and more secure to transact on a global basis.

The appearance of 'virtual' law firms is also expected to become more widespread. These firms offer fee sharing consultancy agreements to a selection of lawyers who are then able to work from home, client sites or satellite offices. Legal practices should be mindful of this innovation. The concern is that with all of the other cash constraints, investment in new technology will not be a priority for many firms, which can erode their opportunity for competitive advantage.

Appropriate solutions and options

For under-performing law firms, the options can range from:

- external funding;
- debt and balance sheet restructuring;
- turnaround solutions;
- merging with another firm.

If left too late, the options move towards CVA, administration or liquidation, the latter having a material impact on both the practice and the individual partners.

Summary

Taking steps to develop a sustainable business model for the future is essential. Experience has shown us that early action can help prevent intervention by the SRA. Of equal importance, is ensuring that all partners in a practice are involved in any restructuring initiative.

Our unique insight into the legal sector derives from our experienced team, which has previously:

- advised LLPs, partnerships and their lenders on issues affecting the business;
- advised individual partners in connection with the repayment of professional practice loans;
- assisted with an analysis of cash flow projections and understanding WIP;
- advised on a significant number of advisory and formal insolvency assignments for firms in the legal sector;
- advised on the first 'pre-packaged' sale in administration under the new 'outcomes-focussed regulations' issued by the SRA;
- advised in relation to any tax arrears due to HM Revenue & Customs.

The legal profession has recently seen a growth in insolvencies and law firms are facing difficult challenges in an increasingly competitive environment. Lawyers must be quick to identify and take advantage of the opportunities that these challenges can provide, to avoid cessation of the practice and the financial and regulatory issues this brings. If they ignore the risks, then the implications for both the law firm itself and the individual members or partners could be severe.

Experience has shown us that early action can help prevent intervention by the SRA

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Christopher Hart

The only way is up?

So, there are green shoots of recovery in the UK, the US is powering ahead, China is growing at 7-8% per annum and even the Eurozone is now officially out of recession. Happy days, right? The danger has passed.

Well, actually… it has been five years since Lehman Brothers collapsed. Five years since Lloyds bought HBOS. Five years of effectively zero interest rates. And how the world has changed in those five years, mostly, it seems to me, in unexpected ways.

Back then, the expectation was that the credit crunch would result in a massive wave of corporate defaults. The oft-cited wall of refinancing would become a millstone around the necks of thousands of companies, which, so the conventional wisdom of the time went, would be unable to refinance their borrowings and would have to restructure, by reducing staff numbers, closing facilities or even entering insolvency.

Accountancy firms, lawyers and banks all staffed up their restructuring and insolvency units to cope with the demand.

Within the world of corporate turnaround, which I am involved in, and in my capacity as President of the Turnaround Management Association in the UK, the expectation was of many years of meaningful employment for our members, helping companies navigate their way through some severe difficulties.

In reality, of course, that has not really happened. Not really. And now things are getting better, so, back to my earlier point, no worries, right?

Except that, certainly in the small and mid market world, a recovery can be as problematic on the way out, as on the way in. What has actually happened is that many players in the SME world have been kicking the can down the road.

Funding is hard to find and investment levels have been very poor. Training budgets have been cut and demand has not been there. Productivity levels have fallen as, in contrast to previous cycles, workers have been kept on, rather than let go albeit on more flexible contracts or reduced real wages. They have been ticking over, waiting and hoping for a recovery.

But, (discounting the dotcom boom and bust as a highly focussed recession), the last time we had to manage a recovery was in the early 90s. All those big teams built up by accountants and lawyers have, in the intervening years, been pruned right back. So where is the experience to manage the recovery?

My biggest fear for the recovery is that businesses may struggle to manage increased orders and capital expenditure, and, dare I say, an increase in interest rates.

Actually, that is my second biggest fear. My biggest fear is that companies will not call for help early enough. But help is there and my plea to corporate managers seeing an increased order book, yes, but a whole range of problems too, would be: be honest with yourself. An early call for help can assist your business to prosper in the medium term. Get help early – whether that is from your accountant, your trade body or even from the TMA.

Many people lose if a business fails. Everybody wins if a business continues to trade and improve. Get help early!

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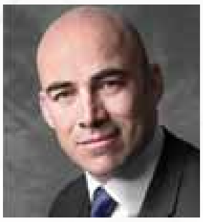
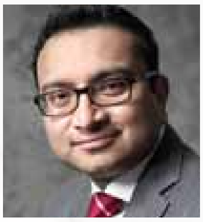


John Potts



Thish De Zoysa

Asset Based Lending: A vital component of the debt package

In recent years, asset based lending (ABL), in its various forms, has become a vital component in many rescue deals, as well as a primary source for private equity debt funding packages.

For many years, there have been few true ABL lenders in the UK market. They were predominantly highly specialised and very few in number. The emergence of new players, primarily backed by the US dollar, and coupled with the UK clearing bank's increased sophistication in this sector, has created a means of funding, which is widely used in conjunction with traditional bank lending. ABL funding is also growing increasingly popular with private equity (PE) firms.

In both mid and corporate markets, we are seeing banks using structured/leveraged products in the first instance. However, to bridge the lending gap, they are now introducing their own ABL division or if necessary, recommending independent ABL lenders.

Why ABL?

ABLs leverage funding from the assets listed on a company's balance sheet. They tailor a funding package specifically around business needs, without the traditional lending barriers, such as a formula based on a multiple of EBITDA.

Within the rescue community, putting in place an ABL funding package (which may involve receivables, stock, plant and machinery, property and often a cash flow loan) can enable a company to come out of either a 'stressed' situation or a formal insolvency process. Benefits of ABL funding, in these circumstances, can include an improved financial structure, a stronger balance sheet, and a lender that is more comfortable funding the business.

Additional investment from a PE fund, alongside ABL funding, can add an additional layer of strength and confidence to a business's financial position. When coupled with an ABL funding package, the investment can enable a business to consider expanding into new markets or geographies, whilst its working capital is funded.

ABL lenders themselves have worked hard to build their visibility within the PE community. A number of PE firms will often engage with an ABL much earlier than they did previously, and include them in the financial packages they put forward to a business. This collaborative approach can only increase, as both communities develop a greater understanding of each other's industry.

Maturing market

The ABL market in the UK is not as mature as the US market, but what we are seeing is encouraging and evolving positively. The ABL community is constantly challenging itself to stretch their product offering to service client needs, for example, providing only plant and machinery or stock lines, without the need for receivables as security. These developments in the market are good news for 'UK PLC', in what has recently been a difficult borrowing period for businesses.

At Duff & Phelps, we have a comprehensive understanding of the domestic ABL market, having worked both within and beside it, for more than 20 years. This experience gives us a unique vantage point to guide clients in finding the right ABL funding package, whether you are an advisor of a corporate, a sponsor, or a stakeholder in a business.

A number of PE firms will often engage with an ABL much earlier than they did previously, and include them in the financial packages they put forward to a business

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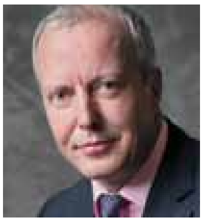
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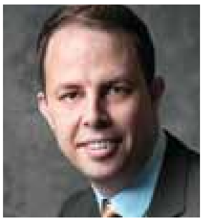
Benjamin Wiles

Saving an iconic brand, woven in history

Earlier this year, Duff & Phelps was engaged to assist Axminster Carpets assess and review the business, in order to understand the issues which had challenged the board for a number of years.

The intensity of the issues became evident early into the assignment, and it was clear that a quick fix would not be possible. The company had recently changed finance provider. As a result of cash flow pressure, the ABL funder had engaged with an external restructuring practice. Our role was to listen and analyse the issues, with a view to developing a turnaround plan for the business. We were aware that the key stakeholders needed to see change and rapid improvement, in order to have confidence in our ability to drive a structured turnaround.

The company had taken the important step of working with an experienced interim finance director that was known to Duff & Phelps. It had also worked with a number of CRO's, and the priority was to develop a concise and coherent strategy, spanning the operational and financial spectrum.

An immediate consideration was to agree a short term funding strategy, to reduce reliance on the main funder. We obtained consent from the board to a strategy that also included negotiating with HM Revenue & Customs for an extended repayment period for a prior tax liability. This allowed the Duff & Phelps team further time to review the business, testing its viability and operational efficiency. We examined the strategic changes and challenges within the industry, the leadership, as well as the core operational and financial management.

Our analysis pointed to a strong manufacturing process with brand appeal and customer loyalty, which had been hampered by supply chain inefficiencies and integration. The manufacturing process had been developed over a number of years and was not easy to modify – this required 'heavy lifting' to re-engineer the process, without compromising value and the finished product.

As a result of our review, we identified a rescue solution for the core business and, as part of the turnaround strategy, a number of non-core assets were sold as a going concern. On 5 March 2013, the 250-year-old Axminster Carpets business was placed into administration. The decision was made to downscale the carpet manufacturing operations at the factory in Axminster and to cease yarn production at the Buckfast Spinning Mill.

Given the reputation of the Axminster brand, there was a high level of interest in the business. Within a matter of weeks, the Joint Administrators were able to secure a sale of the business and assets to a local consortium, saving more than 100 jobs.

During the restructuring period, Duff & Phelps played a vital role in ensuring that the core customer base remained supportive of the business, together with managing a communication strategy with all key stakeholders. This proactive strategy maintained production and order fulfilment throughout the administration trading period and provided the new owners with a solid platform from which to achieve their business plan. It also resulted in the funders being paid in full.

It was clear from the outset that the Axminster business was vital to the local economy. Throughout the project, we worked closely with all key stakeholders to stabilise the business and secure the continued manufacture of carpets at Axminster.

Today, Axminster Carpets (2013) Limited continues to operate from a head office and manufacturing facility in Axminster. For Duff & Phelps, the engagement represents a true success story – a positive outcome for the business, the lenders and the employees, the preservation of an iconic brand and a secure economic future for the town of Axminster.

Duff & Phelps played a vital role in ensuring that the core customer base remained supportive of the business

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Case study

Andy Stoneman

A long road to recovery

Despite the long awaited rise in confidence for the wider UK economy, the commercial vehicle market continues to face challenges and recessionary pressures.

Medium and heavy commercial vehicle sellers continue to experience challenging market conditions. According to The Society of Motor Manufacturers and Traders, registrations of these types of vehicle have fallen by almost 8%, in the 7 months to July 2013. The 2013 year-to-date performance follows a 25% reduction in registration volumes in the commercial vehicle market in 2012, compared to the peak in the market in 2007, before the credit crunch and subsequent UK recession.

Recent economic data suggests that the economy as a whole may have started to turn the corner. However, commercial vehicle franchises continue to see a strong downward pressure, not only on sales volumes, but also on new vehicle margins and fierce competition from rival dealerships to convert new leads.

Major fleet operators continue to hold back capital investment programmes, preferring to wait and see whether the economic recovery will gather pace in the final months of 2013. Whilst this 'hold' strategy cannot continue indefinitely, many franchise operators, particularly those outside of the top vehicle brands, are struggling to manage their day-to-day working capital requirements, whilst they await a sustained recovery.

Grays Truck Centre Limited, which had operated an Iveco and Ford franchise in the South East of England for over 20 years, was facing many of these challenges during the last 12 months. With an annual turnover of c. £30m, during the first 4 months of 2013, revenue contracted by more than 30%, compared to the same period in 2012 – as new vehicle sales continued to decline. The business also suffered the cash implications of enforced vehicle adoptions and the subsequent VAT ramifications of returning vehicles to the manufacturer. These factors, coupled with growing trading losses, resulted in the business building up c. £1m of overdue tax arrears.

Duff & Phelps was approached by the shareholders of the business in May 2013 to assist in managing relations with its lender group, to prepare a short-term cash flow forecast, and to provide guidance negotiating a 'Time To Pay' (TTP) arrangement with HM Revenue & Customs.

We negotiated a TTP arrangement, and assisted the directors in developing a turnaround strategy, obtaining vital rescue finance from one of our network of alternative funding providers. This restructuring solution provided the stakeholders of the business with much needed time to address the operational and strategic issues. When a key stakeholder later withdrew its support for the business, we undertook an accelerated M&A process, identifying key trade and finance buyers. With our assistance, the business was sold to a new operator in July 2013, via an administration process, and 130 jobs were saved.

It is clear that whilst the first signs of recovery are being experienced across the wider economy, the commercial vehicle sector still faces challenges as it looks to turn the corner.

As the Grays Truck Centre Limited case highlights, our restructuring professionals have strong experience assisting lenders, shareholders and directors who are facing challenging market conditions within the commercial vehicle sector. To learn more about this sector expertise, please contact me.

The rescue finance we arranged provided the stakeholders with the much needed time to address operational and strategic issues

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Philip Duffy

The Grimsey Review: No surprise for Britain's long suffering High Street

The Grimsey Review, released in September 2013, predicts that 20,000 stores will face closure over the next 12 months. Five or six big names are expected to form part of this forecast, which, if they materialise, will further rock the fragile state of the High Street. According to the report, fashion apparel stores and small electrical shops will suffer the most.

Compiled by Company Watch and consisting of more than 400,000 companies, the Grimsey data highlights how 'unfair' business lending rates, expensive local car parking and the rise of online shopping have weakened the UK's independent retail sector.

The Review has identified 31 recommendations that propose to tackle the retail decline, among which is a call for councils to use reserves to fund small businesses and introduce more free car parking.

However, the findings by the Grimsey Review are hardly ground-breaking, considering the continued distress the High Street has endured throughout the most recent financial crisis. The greater impact on the High Street, beyond the financial challenges, is the move towards online, rather than traditional offline, shopping.

Latest figures from the IMRG Capgemini e-Retail Sales Index (August 2013) show that online-only retailer sales rose by 13% year-on-year, compared with their multichannel competitors which recorded 6% growth, the lowest reported by the Index for this group since IMRG and Capgemini started tracking the figures in 2010.

In addition, the latest statistics released by the Office of National Statistics (August 2013) on internet access in the UK, show that in 2013, 72% of all adults bought goods or services online, up from 53% in 2008. This trend in the changing habits of today's consumer is a significant contributor to the struggling High Street.

However, having a user-friendly website, or high traffic volume to that site, does not mean that a retailer will be able to stave off economic hardship. Some of the most successful and beloved names in retail, including John Lewis, Waitrose and Sainsbury's, all have one aspect in common: they instil consumer confidence.

Consumer confidence establishes itself over time; a commodity that struggling retailers often don't have, and are unable to create when the economy is still fragile. With consumers still reserved as to where they spend their income, they are more likely to engage with a retailer that they have confidence in, knowing that they will still be on the High Street at a later date, should they need to make a return or seek advice.

As much as we applaud the recommendations of the Review to encourage retailers to return to the High Street, there is still the need to look at what that actually means to today's consumer. Technology and the recession have changed the way we shop. Unless we acknowledge that fact, no measure, long or short term, will get the High Street back on track.

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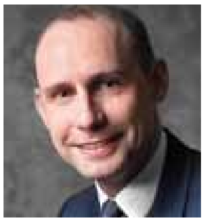
Michael Bills


James Palmer

Where the debt breaks…

For businesses that are struggling to service relatively high levels of debt, assessing where a company's debt breaks has become a key part of achieving a successful and consensual restructuring.

Where a business is sold in an open market transaction, as part of a restructuring, the value of the business can be readily determined. In many situations, however, an open market transaction is not possible, and the value of a business may be contentious, and a critical factor in a restructuring or turnaround.

Duff & Phelps is a market leader in assessing enterprise value and providing valuations and fairness opinions for businesses and their stakeholders. We are able to leverage the experience and knowledge of our colleagues in the valuation business, to provide integrated restructuring and turnaround advice for our clients. We have found in several recent assignments that, if value is to be preserved in a business, then informal restructuring solutions (avoiding formal insolvency appointments) are needed as part of a business rescue.

During a recent leveraged restructuring engagement, the question of 'where the debt breaks' became a critical factor. It was vital to determine which of the stakeholders were 'in the money', and which of the stakeholders were under water, or 'out of the money'. In such a situation, with different senior and mezzanine lenders alongside equity investors, where the debt breaks determines which of the sponsors still has value remaining after a proposed restructuring.

Whilst our Business Consulting team provides achievable profit improvement through operational, leadership or financial turnaround, our valuation experts provide an independent view on the enterprise value of the underlying business.

This is a key offering for scenarios where the alternative to a valuation is a market testing exercise, which is often challenging and can lead to the disclosure of confidential information to competitors.

We are able to leverage the experience and knowledge of our colleagues in the valuation business, to provide integrated restructuring and turnaround advice for our clients

Valuing a business in distress and identifying where its debt structure breaks is a complex exercise and requires rigorous analysis and robust support. Typical issues which must be considered include:

- historic results that may not be a guide to the future expectations of the business post-restructuring;
- difficulties in forecasting the level of recovery expected (if any);
- judgement in the use of comparable company multiples, which may not be reflective of similar levels of distress;
- assumptions being required around the future cash needs of the business, the ability to finance these needs and, ultimately, if the business is a going concern; and
- determining the cost of capital for a business in distress.

Our recent experience in determining the potential next steps for stakeholders following an informal restructuring has become ever more critical. A debt break analysis provides the platform for a decision tree for stakeholders and often leads to wider ranging reviews of organisations from our Business Consulting team. During this process, we critically assess and improve the operating metrics of businesses and provide guidance and support to organisations seeking to preserve value.

If you would like to know more about how we can provide fairness opinions and valuations in distressed situations, please do not hesitate to contact us.

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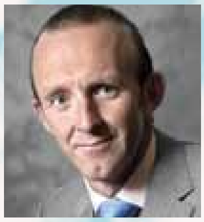
Paul Williams

London calling

It has been a busy Summer for us in London, from both an office and activity perspective. After 12 happy years in the West End, the London Restructuring team has relocated to London's tallest and most iconic residence, The Shard. The move is a positive statement of intent by the firm to further grow not only its London offering but also internationally. Our office move also marks the integration of the Restructuring, Valuation and M&A teams under one roof.

Whilst the Summer took its time to arrive, it did not disappoint. A Summer of sport was a delight and Britain's success on the world stage continued. Inspired by these great achievements, we too embraced the sporting challenge with a number of events including the Annual Golf Day at the Isle of Purbeck, the inaugural 'Hackers' Golf Day at Silvermere and the Matthew Bond Memorial Shield – Cricket Sixes Tournament, which we co-hosted with Pinsent Masons. It was a great day, with the shield finally going to a triumphant HSBC team.

Despite the Summer of sport, we still had time to undertake some interesting assignments, including Grays Truck Centre Limited and Logic3 Plc. Andy Stoneman discusses the Grays assignment in his article on page 9. In addition, Jason Godefroy and I were appointed Joint Administrators to Logic3 Plc, which is recognised as one of the world's largest personal audio, mobile and computer gaming accessories providers, with iconic products and a wide-ranging portfolio.

Since the company was established, Logic3 has developed a reputation as a market leader and product innovator. The product offering includes a range of headphones, earphones and speaker docks, under an exclusive agreement with an iconic global brand. The company was also an Apple licensee for their MFi programme, with its main focus on Apple iPhone, iPod and iPad accessories. We are currently looking for a purchaser for the business and if you, or one of your clients, have an interest, we would be happy to hear from you.

In terms of our team, I am pleased to confirm the promotions of Anna James and Nicola Banham to Manager. Both Anna and Nicola bring a wealth of experience to the management group, as any of you who have worked with them will know.

We have also recently celebrated further exam success with a number of the team passing their ACCA and ACA exams. Special mention goes to Claire Taylor, Ollie Rimmer and Lucy Egginton, who have all qualified as accountants. Congratulations are also due to Rob Mitchell for passing his CPI exams.

These results represent tremendous achievements by our students. It is also further evidence of our continuing commitment to developing our people and to fostering a new generation of business professionals.

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Manchester


Steve Muncaster

Continued success in Manchester

We have continued to enjoy a relatively busy period over the past six months, both in respect of the advisory and formal divisions of our business.

The range of assignments where we have been engaged covers a variety of sectors, including: waste management, steel fabrication, nursing homes, automotive, breweries, marine, jewellery retail, and restaurants and catering.

There have also been an increasing number of property assignments over the last six months, which suggests that the property market is gaining momentum. A reflection, perhaps, that the lending community is becoming more pro-active in dealing with its under-performing property clients, and that investors are returning to the market. We have been appointed as LPA Receivers over a variety of properties recently, including a Travel Lodge hotel and a shopping centre.

The Time To Pay team are beginning to see an increase in activity. The much publicised 'Real Time Initiative', introduced by HM Revenue & Customs earlier in the year, is beginning to have an impact, identifying non-payment of Crown liabilities at an earlier stage. Mike Lee, a Senior Manager in Manchester, and his team have a wealth of experience in this area. Mike himself has been involved in more than 900 cases in the past few years.

The office has welcomed a number of new joiners since the last edition of Upside. Luke Berry has joined the Corporate Team; Alex Fairweather has joined Business Consulting; and Tom Schofield and Jordan Woldon have joined the team for a year, as part of the long established student placement scheme.

In terms of exam success, congratulations are due to Vedrana Marosevic, who recently completed her ACCA studies to become a fully qualified accountant, and to Chris Sykes, who passed his CPI exams.

One of our Senior Managers, Hilary Pascoe, has returned from a successful secondment with the Business Support Team of Barclays Bank. Rob Edwards has recently commenced a short term secondment with FW Capital, and Mike Lennon has joined RBS BRG on a similar short term secondment.

We have hosted a number of reverse secondments for several clients, which are tailored to the requirements of the individual or firm. These secondments can be as short or as long as required. If you believe that this initiative would be of interest to your organisation, please contact Mike Lee, who would be delighted to provide you with more information.

Once again, a team from the office is undertaking a charity climb in October, this time up England's highest peak, Scafell Pike, in aid of Cardiac Risk in the Young, our designated memorial charity for Matt Bond.

Still on the subject of fund raising, Amanda Barlow set up the PA Network in Manchester, in 2011. Two years on, membership has grown from 50 to 428 and the network has raised £14,500 for the Manchester charity, The Christie. Further details of the network can be found at www.manchesterpanetwork.co.uk.

The Manchester team continues to appreciate the opportunities provided by all of our clients, and we look forward to working with you in the near future.

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John Whitfield

Reflections on Summer

As we move into Autumn, it is time to reflect on the last six months and the activity that we have seen in the Birmingham office, and throughout the Midlands region.

Indications locally are that we are finally experiencing the 'green shoots' of recovery. This does, however, bring its own issues. Businesses are beginning to experience increased demand, which is a positive sign. However, many companies have been walking a cash flow 'tight rope' for a significant period of time. As a result, they require increased cash flow availability to satisfy the improved demand from their customer base. History warns us that this stage in the economic cycle is very precarious, and businesses must remain cautious.

As a consequence of these changing times, our Business Consulting team continues to be engaged on a number of assignments driven by funding requests. We have also successfully negotiated several 'Time To Pay' arrangements with HMRC. These proposals to HMRC were efficiently structured, and allowed the companies to negotiate sufficient time. This ensured there was adequate headroom in their facility to make the necessary payments, whilst retaining flexibility for any unforeseen changes in their circumstances.

We also continue to be active in the formal insolvency market. In June, we were appointed Joint Administrators of the national High Street retailer, Dwell. From the Birmingham office, we assisted management with their duties whilst they undertook an accelerated M&A process. Following that process, we concluded a sale of the business, preserving the jobs of more than 100 employees. The sale of the Dwell business has also seen a number of customer orders fulfilled, including some of those who had paid deposits pre-administration.

More recently, we have been engaged by a law firm which was experiencing financial challenges. Our role was to assist them with their cash flow monitoring, whilst they undertook an internal review of their business. Again, this assignment turned into an accelerated M&A process, following which, two transactions were completed. These transactions mitigated the lender's position, and assisted the members of the practice with their responsibilities towards the Solicitors Regulation Authority. This project was a clear reflection of the observations Jeremy Bennett makes in his article on the legal sector on pages 4 and 5. It serves as a further example of the expertise Duff & Phelps has accumulated in the legal sector, an industry that has had some much-publicised struggles over the last year.

Finally, we are delighted to welcome Ben Crowe to the Birmingham team. Ben has joined us on a placement year from Nottingham Trent University. The addition of Ben, together with the new joiners we have reported in previous editions of Upside, has further strengthened our team. Having grown the team in this way, we now have the capability to deal with all aspects of the consulting and formal insolvency arenas.

These proposals to HMRC were efficiently structured, and allowed the companies to negotiate sufficient time

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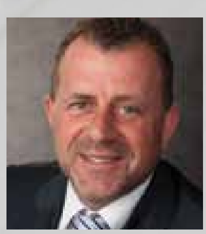
Jeremy Bennett

Leeds: our first six months

It has been an eventful first six months for our new Leeds office. Inevitably, much of that time has been spent catching up with our network of clients and contacts across the financial community, as well as establishing new relationships. Our ‘official’ launch event in May was attended by more than 100 guests and was a great success.

Our efforts in the market are starting to bear fruit. We have received a broad mix of instructions, covering both advisory work (confidential assignments), where we are working to rehabilitate businesses, and the more traditional formal insolvency appointments, ranging from administrations and liquidations to bankruptcy work. We were delighted to have recently completed the sale out of administration of a Yorkshire-based packaging business, securing more than 260 local jobs.

Strong evidence suggests that the legal sector, a speciality of mine as a former practising lawyer, will continue to see significant distress for the foreseeable future, as a result of both regulatory and market pressures. We recently published a market intelligence paper on the current issues facing small and medium-sized law firms and we have included an extract on pages 4 and 5 in this edition. We expect to remain heavily involved in providing advice to this sector.

Feedback on our presence in the Leeds marketplace has been overwhelmingly positive and, to date, we have received instructions from a number of the main clearing banks as well as several asset based lenders. The firm has recently reconfirmed its position on both the Barclays and HSBC panels and we look forward to continuing to work closely with these key clients in the future. The signs are encouraging and, despite challenging market conditions in the North East coupled with a strong competitive environment, we have high hopes for a busy Autumn and Winter.

The growth of our business in Leeds has resulted in the steady growth of the team. Since last writing, I have been joined by Oliver Collinge and Richard Oddy, both of whom have strong track records in the local advisory market. Since joining Duff & Phelps, they have primarily been engaged on our Business Consulting assignments. All of our clients expect us to explore the full range of consensual restructuring options in a distressed scenario, and our Business Consulting team specialises in this approach.

Our colleague, Hilary Pascoe, who recently completed a one year secondment with Barclays Business Support in Leeds, is overseeing the progress of a number of our formal appointments, supported by Perry Higgins, a recent recruit from the Big Four.

We are excited about the strength of the team that we are building in Leeds, and the breadth of the services we can now offer. We hope that as a result of the interaction with our clients, they now understand our focus in Leeds, and how we are positioned to assist and advise.

We look forward to working with you soon.

The signs are encouraging and, despite challenging market conditions in the North East coupled with a strong competitive environment, we have high hopes for a busy Autumn and Winter

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About Duff & Phelps

As a leading global financial advisory and investment banking firm, Duff & Phelps leverages analytical skills, market expertise and independence to help clients make sound decisions. The firm advises clients in the areas of valuation, M&A and transactions, restructuring, alternative assets, disputes and taxation – with more than 1,000 employees serving clients from offices in North America, Europe and Asia.

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