Upside

Spring 2013

DUFF & PHELPS

Duff & Phelps Upside Spring 2013

Welcome

Paul Clark

David Whitehouse

Upside goes digital…

Welcome to our first digital version of Upside. Understanding how most things today need to have a sense of portability, we wanted to make our news and technical updates more accessible for our readers. We hope you enjoy this format and find it easy to navigate.

Since our last edition, it has been a time of mixed emotion at Duff & Phelps in the UK. It is with great sadness that in March we suddenly and unexpectedly lost our friend and colleague, Matt Bond.

We pay tribute to Bondy separately in this edition, but for the many of you who knew Bondy, we appreciate the thoughts and sentiments that you have been sharing with us.

March saw us open a new office in Leeds, which is headed by a new partner, Jeremy Bennett. Jeremy introduces himself and the office more fully a few pages further on, and we are all excited about expanding our national footprint even further in the UK, and in particular in the North East.

In terms of growth and development of our professionals, in April we added an additional partner to our Business Consulting team. Peter Cooper has joined us to focus on providing solvent restructuring advice and solutions to underperforming businesses. We have put him under the spotlight in an informal interview; so for those of you who have not yet met Peter, you will be able to learn more about his expertise and background.

It is with great pride that we also announce the promotion of several colleagues in London and Manchester to Director level. Our senior team here at Duff & Phelps in the UK is growing not only on the restructuring side but also within the financial advisory team, where we are joined by new colleagues and internal promotions at Canary Wharf. This firmly puts Duff & Phelps in a strong position to meet our clients' needs across a broad range of industries and situations. We are seeing our various service lines working together on an ever increasing basis, not only on domestic engagements but also across broader European and transatlantic assignments.

Lastly, we hope you find the articles in this edition of value and interest. We feature the recent changes brought in by HM Revenue & Customs as a result of "Real Time Information" as well as examining the role of alternative finance providers and "zombie companies." Finally, we feature a summary of results gleaned from our own limited partner survey, "Alternative Investments Outlook 2013: Limited Partner Survey."

If there is anything that we or our colleagues here at Duff & Phelps can assist you with, we would be pleased to hear from you.

Our senior team here at Duff & Phelps in the UK is growing not only on the restructuring side but also within the financial advisory team, where we are joined by new colleagues and internal promotions at Canary Wharf

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Matthew "Bondy" Bond

It is with great sadness that we announce the tragic passing of our friend and colleague, Matt Bond, who died unexpectedly in his sleep on the morning of Saturday 16 March 2013, aged 37.

Matt touched the heart of everyone he came across in both his professional and personal life. He was a partner in the London office of Duff & Phelps and part of our Global Restructuring Advisory practice.

Our thoughts and deepest sympathies go to his wife and his family at this time. Matt was a loving husband and proud father. He met his wife, Laura, whilst working in Australia, a country he loved. He settled in Chobham and quickly became a member of the local golf club whilst continuing to be actively involved with Wimbledon Rugby Football Club.

Matt began his career in restructuring at Zolfo Cooper. He was a Chartered Certified Accountant and a licensed UK Insolvency Practitioner, and sat on the Board of R3 – The Association of Business Recovery Professionals Committee for Education, Courses and Conferences. He was actively involved in both internal and external training programmes, as well as developing training courses for a number of clients.

Matt joined MCR in 2008 and built an enviable reputation for handling cases of all sizes in a variety of commercial situations; he had a detailed knowledge and understanding of insolvency law. He quickly progressed to become a Partner in MCR.

Away from work, he was a keen sportsman, most recently becoming a rugby referee after a successful playing career. His golfing handicap was always up for debate, as he tended to claim a higher one than his play suggested! He also proved to be light on his feet last year when he won the inaugural "R3 Strictly Come Dancing" charity contest with a display of dancing that wouldn't have looked out of place on the TV – even Natalie Cassidy (Ex-EastEnders actress) was impressed!

In true MCR tradition, Bondy (as many affectionately knew him) enjoyed having fun and he had a fantastic ability to mix with anyone. Whilst being a tough rugby player, he was also a gentleman and had a very sensitive side, which made him a loyal mate who never let his friends or colleagues down. Anyone that was in his company would always be entertained by his amusing anecdotes about life and sport or by being told one of his many jokes.

Matt was born and brought up in Devon and was very proud of his Devonian roots. A well-attended memorial service was held in Mortehoe, near Woolacombe, North Devon, on 2 April 2013, where his family, friends and colleagues paid their respects. A memorial service was also held in London at Wimbledon RFC, Matt's home ground, on 30 April 2013, and was attended by more than 300 people.

Our friend and colleague, Bondy, was a truly great man and will be sadly missed by all who knew him.

He is survived by his wife, Laura, and daughter, Violette.

DUFF & PHELPS

Predictive thinking

Managers, directors and non-executive directors face many challenges in driving a successful turnaround. In this article, David Grier and Paul Smith, accredited members of the Institute for Turnaround, define some practical solutions that company leaders can implement in the context of a turnaround situation.

The dashboard of key measures implemented by corporates has, by necessity, become both more digital and in step with real time. The best examples deploy simple but effective cash flow forecasts and budget programmes to eliminate potential overspend and provide the best chance of delivering metrics regarding budget performance.

In addition, feedback from the factory floor, together with an eye on the market and customer behaviour, enables managers to keep in touch with business performance. Whilst a performance dashboard would seem to be an essential management tool, the practical nature of running a business can sometimes over-ride the best intentions. Unfortunately for many organisations, the last few years have been marked by pressure on margins and restricted working capital, as well as significantly limited skilled resources to manage the challenges.

Corporate boards may well reflect on happier times when the availability of “credit” was at least perceived to be easier and more free flowing. But the reality is that the availability of credit does not make poor managers and boards world leading, nor weak companies, successful. Our experience of connecting with shareholders, boards and a wide range of executive directors confirms that there is no short-cut to success and certainly no quick fix for the mid-term challenges of “profit” and continuous improvement.

At Duff & Phelps, the experience from our business consulting assignments leads us to conclude that it’s the ability to take on, absorb and implement good advice that is one of the differentiators between the “good” and the potentially “great” companies. The responsibility to steer a business falls to executive directors and, increasingly, to non-executive directors. Non-executive directors are typically in the best position to stand back and observe likely outcomes and challenges whilst bringing a wealth of knowledge and “seen this before” experience.

A recent study by Cranfield University’s School of Management highlights the challenges for boards and, in particular, the non-executive director, in running a business at arm’s length. Findings suggest that some non-executive directors are installed in their post through a business connection. This can mean they fail to be effective in driving change or steering an organisation away from troubled waters.

At Duff & Phelps, the experience from our business consulting assignments leads us to conclude that it’s the ability to take on, absorb and implement good advice that is one of the differentiators between the “good” and the potentially “great” companies

David Grier

Paul Smith

This interesting survey found that a very high percentage of non-executive directors in the UK were unable to recognise the market edge of the corporate they represented. These findings suggest that many companies are not being properly assisted in steering a course of growth and profitability, with a number of directors being unable (or perhaps more accurately "uncomfortable") with the interpretation of key business-critical numbers.

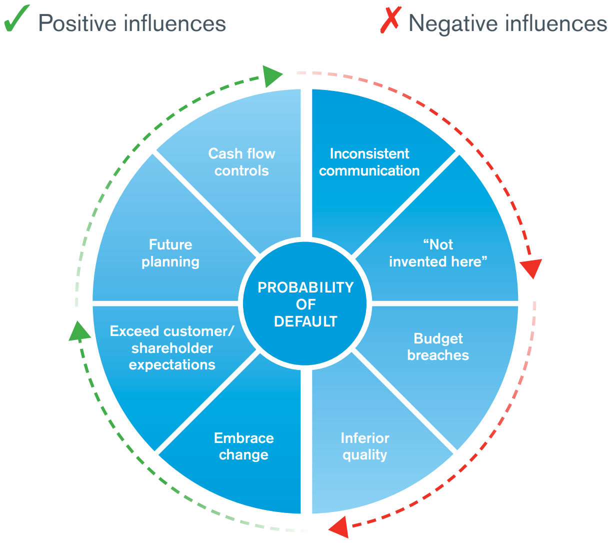
Within many boardrooms, there is also the challenge of "diversity", with significantly fewer female directors in senior roles. It seems generally regarded that experienced directors need to have an amount of grey hair – or in some cases no hair – to provide words of wisdom and draw upon well-established networks, to make connections for growth and finance. In our experience, that is not always the case.

In recent assignments, we have witnessed a lack of early intervention by more experienced members of the board, who can become overly concerned with individual reputation, rather than taking on the challenge of business change. Perhaps this should come as no surprise, as directors today carry the risks of failure, and solutions are not always straightforward or without painful consequences.

What can be done differently to assist directors and corporate boards who take on often challenging initiatives?

In our view, the first and most important aspect is embracing the mind-set that "change is good" and essential for long-term sustainability. With this powerful approach embedded, it is possible to apply positive and transformative business thinking to tough challenges.

On a number of occasions we have been asked to assist executives with current and pressing business challenges. Yet when we understand the causes of these challenges, we find that many of the situations were avoidable had the company utilised a more predictive and forward-thinking managerial approach. It is the ability of directors and corporate boards to predict the likelihood of failure that has become an important strength and also a competitive advantage.



Beyond this, we have developed a checklist for executives to assist with challenging each other and driving business performance. These essential drivers for executives are:

- "Change is good"
- Diversity brings opportunity
- Communication and quality information are essential
- Engage with external advisors
- Set the road map for the next three years
- Use "non-executive directors" for key skills – not necessarily for day-to-day business operations

Looking to the future, we see enormous opportunity to work with companies in helping to develop their predictive thinking. We would welcome the opportunity to share our insight and ideas with you and your corporate clients.

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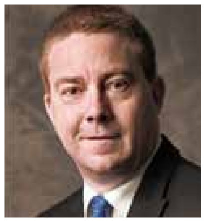

Peter Cooper

Introducing Peter Cooper

Earlier in the year, Peter Cooper joined as a partner in the Business Consulting team. In this interview, Peter introduces himself in more detail.

What is your professional background and why did you decide to join Duff & Phelps?

Prior to my appointment at Duff & Phelps, I was a partner at one of the UK's top mid-tier accountancy and business advisory firms. While there, I headed up the UK Corporate Turnaround team for six years. Before that, I held positions at a Big 4 firm as well as another mid-tier firm and also completed a two year secondment with one of the UK's largest clearing banks.

I've been following the team's progress in the UK restructuring market for a number of years with keen interest. The acquisition by Duff & Phelps has opened up a number of interesting avenues in the UK market. In particular, the valuation and alternative asset advisory services enhance our UK offering at a time when both debt and equity providers are looking for innovative ways to protect their investments. I also believe that clients will benefit from our ability to provide cross-border solutions and the deep specialist knowledge of our industry teams.

When the opportunity arose to become part of this energetic, committed team with a proven track record, I was delighted to accept.

What type of work will you be undertaking on joining the firm?

As a partner in the Business Consulting team, I will be utilising my experience in providing solvent restructuring advice and solutions to underperforming and distressed corporates. Part of my role entails working closely alongside the UK's main clearing banks in providing effective turnaround solutions for their respective customers.

What are the current trends that you are seeing in the marketplace?

The stagnant economy is weighing heavily on the UK's mid market, as boards differ in their opinions on the right time to press for growth. Boards often cite difficulties in obtaining additional or new debt/equity finance as the most significant barrier to growth. Accordingly, "zombie" companies are still very much evident as boards are hanging onto quickly depleting reserves longer than anticipated while they await stabilisation in the market.

What would you describe as the most significant development in your sector in the last 12-18 months?

I consider the increased corporate governance of the UK's banking industry (especially state-owned banks) to have the most significant impact on the UK restructuring market. As I already mentioned, financing decisions are taking longer to formulate at both board and financier level, which is having an impact on working capital.

What industry sectors face the most pressure right now, and what factors are contributing to those pressures?

Given the level of anxiety that is currently surrounding the UK economy, the average man in the street has become loathed to part with his hard-earned cash. Accordingly, sectors that rely on discretionary consumer spending will remain under the microscope for the foreseeable future.

Recent high profile failures in the retail, care home and hospitality and leisure (pubs, hotels and restaurants) sectors underline this viewpoint. With the retail sector struggling, this has also had a negative knock-on effect for the transport sector, particularly hauliers.

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Steve Clancy

Taxing times ahead...

On 6 April 2013, HM Revenue & Customs (HMRC) launched its Real Time Information (RTI) PAYE system. All employers with between 50 and 5,000 staff are now required to report PAYE information to HMRC each time they pay their employees rather than annually.

The introduction of RTI represents one of the most fundamental changes to the PAYE system since 1944. The Government has faced intense lobbying from many SME trade associations concerned that the new system has not been sufficiently promoted, and that smaller businesses are not prepared for the introduction of RTI.

As a concession, the Government revised the implementation date for businesses with fewer than 50 employees to 6 October 2013, to coincide with the rollout of RTI for larger businesses with more than 5,000 employees.

The new system has been designed around the introduction of the new universal credit benefit system. It will enable HMRC to gather information on all employees and particularly people in multiple-occupations, every time they are paid rather than once a year. It is anticipated that RTI will make HMRC's records more accurate and reduce the number of situations where people over or underpay their taxes.

HMRC believes the system will improve the operation of PAYE, make the system easier for employers and HMRC to operate, and will allow employees to receive more timely information.

What does this change mean for businesses in financial and cash flow terms?

HMRC has played an often critical role in supporting struggling businesses that are unable to meet their tax obligations in full. In many cases, the extent of the tax arrears only became evident to HMRC, and sometimes to businesses, at the end of the tax year.

The RTI system will create transparency by automatically notifying HMRC every time a payroll is run as to what tax ought to have been paid. It will, therefore, immediately highlight any outstanding liabilities. The payment of smaller amounts or any delayed payments will trigger an exception report, which will commence recovery processes and a penalty regime. As a by-product, RTI will alert HMRC to all shortfalls in tax payments.

Accordingly, the new system should provide HMRC with the ability to accelerate the flow of tax receipts, which means businesses will be paying the correct amounts of tax in a timely manner. How HMRC use this information, given the level of available resources, remains to be seen.

For those businesses already experiencing financial difficulties, careful cash management will be a focus. They will need to ensure that the key drivers of cash – from creditor payments to credit control – are tightly managed; otherwise any anticipated tightening of PAYE/NI payments will create cash flow concerns.

Businesses cannot count on the same level of flexibility they have enjoyed in the past in meeting their HMRC obligations and managing cash flow more closely will be a top priority. Where funding issues arise, the need for seeking professional advice at an early stage on available options will be critical.

It is anticipated that RTI will make HMRC's records more accurate and reduce the number of situations where people over or underpay their taxes

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New office on the block

It is with pride that I begin to write the next chapter in the Duff & Phelps success story in the UK. The firm has now officially opened its doors in the North East of England, in the city of Leeds, further expanding our national footprint.

Our new office is located in City Square, Leeds, and it opened its doors for business in early March 2013. With myself as office leader, the Leeds office location represents another significant step on the firm's road map to growth and expansion in the UK.

From a personal perspective, I joined Duff & Phelps earlier this year with a background of more than two decades in the corporate restructuring and recovery market, most recently as National Head of the Asset Based Lending group at a leading UK law firm.

I have also owned and managed my own law firm and was one of the first lawyers to pass the JIEB exams in 1995, having achieved dual qualifications in law and insolvency.

In addition to developing a strong reputation for advice to the asset based lenders, I have, during my career, built strong relationships with all the major banks, a wide range of intermediary contacts and the turnaround institutions. Having also acted for investors, directors and shareholders of distressed businesses, I have provided successful commercial solutions to the wide range of business issues they have faced across most sectors, including manufacturing, construction, recruitment, haulage and professional service firms.

The team comprises a rich blend of experience, and with the skills and knowledge we have at Duff & Phelps together with the strong client relationships that already exist in the region, I am excited by the prospects that lie ahead for us in Leeds and the wider North East region

Jeremy Bennett

As with opening any new office, whilst many of the national partners were already well known within the financial community in Leeds, I believe firmly that I can contribute to growing the Duff & Phelps brand further in the North East marketplace.

Helping me build the advisory side of the business is a team of highly skilled senior professionals, who between them have prior experience of working within the Big 4, in restructuring advisory roles as well as completing bank secondments.

The team comprises a rich blend of experience, and with the skills and knowledge we have at Duff & Phelps together with the strong client relationships that already exist in the region, I am excited by the prospects that lie ahead for us in Leeds and the wider North East region.

As I immerse myself in the market, there are a few key trends emerging. Given the current economic climate, many already cash-strapped businesses will continue to face challenges as they operate on a day-to-day basis.

I believe that there will be some challenging times ahead for many corporates especially with the uncertainty surrounding:

- Working capital shortfalls and additional debt requests in the SME arena
- The arrival and rise of alternative finance options
- The impact that the launch of Real Time Information (RTI) by HM Revenue & Customs will potentially have (which Steve Clancy covers in more detail in this edition) and
- The soon-to-be introduced ABFA code of conduct on invoice discounting and factoring options

Each restructuring situation is unique and calls for a broad range of professional skills tailored to help evaluate the various options, as well as to unlock the potential opportunities.

I have seen both our Corporate and Advisory teams in action, providing quality-driven solutions across a broad range of sectors. In these circumstances, our teams are often engaged to look at both the operational turnaround and debt restructuring requirements for the financial institutions and key stakeholders involved.

With the number of "zombie" companies weighing on the UK economy, coupled with a desire for banks to strengthen their balance sheets, I expect to see an increasing number of advisory assignments. Identifying the available exit options and debt service capacity of companies will no doubt be a focus.

Since joining Duff & Phelps, I remain deeply impressed by its emphasis on the core objectives of supporting clients in a proactive and commercial manner. This extends to the commitment, energy and support given to opening the office in Leeds, which has been unwavering from all the partners and staff at the firm.

I would like to extend my sincere appreciation and gratitude to all my contacts for their positive response to the launch of the Leeds office as well as to the team that will be covering the North East region. On behalf of the entire Leeds office, I very much look forward to seeing as many of you as possible to explore mutual opportunities this year.

Each restructuring situation is unique and calls for a broad range of professional skills tailored to help evaluate the various options, as well as unlock the potential opportunities. I have seen both our Corporate and Advisory teams in action, providing quality-driven solutions across a broad range of sectors

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Mathias Schumacher

Private equity investors are optimistic about 2013

Has private equity successfully rebounded from the financial crisis? What investment strategies are most attractive within this asset class? Are there attractive opportunities in Europe? These are just a few of the questions answered in the Alternative Investments Outlook 2013: Limited Partner Survey.

Published in Q1 2013 by Duff & Phelps, in collaboration with mergermarket, the Alternative Investments Outlook 2013 report synthesises interviews with 100 Limited Partners (or "LPs") operating across North America and Western Europe. The survey aimed to capture the views of private equity investors on the investment environment and their outlook for the future. Those surveyed included fund-of-fund investors, pension and sovereign wealth funds and other investors.

Confidence in the future

Two-thirds of survey respondents indicated that they will adjust their allocation to private equity. And, more tellingly, the majority (76%) will increase or significantly increase (19%) the amount of capital dedicated to the asset class. This is a strong indication that the level of confidence in private equity is returning, following the prolonged period of global economic crisis since 2008.

Nearly half of LPs say that their PE investments have surpassed their expectations. And, 63% of LPs report that their investments in private equity are outperforming relative to other investments in their portfolios.

Outlook for Western Europe

There are some clear indications of enthusiasm about the alternative investments climate in Europe. When looking at individual countries, Germany is cited as most attractive, followed by the UK and Ireland, and then the Nordic region. Northern Europe is most frequently mentioned by LPs as fitting with their investment strategies – particularly among North American LPs, who take a more optimistic view of that geography.

North American LPs are less enthusiastic about funds investing in Southern Europe, excepting those who are targeting distressed assets in that geography. On the other hand, European LPs view Southern Europe – including Portugal, Spain and Italy – as offering attractive opportunities.

Evolution of GP and LP interactions

The LPs themselves are communicating more regularly with the private equity funds ("GPs"), and this dynamic is changing the nature of GP-LP relations. The wide majority (91%) of LPs acknowledge a change in the relationship with the GPs, citing more direct feedback about fund investment strategies, and more questions in general. Topics such as renegotiation of management fees (46%) and pushing for more warranties in place (46%) are also being broached with the GPs.

Transparency is a key concern for LPs when it comes to allocating capital to private equity funds. When making allocations to fund managers, transparency, including the robustness of the valuation process is the most important factor for LPs, followed closely by strategy and track record of past performance.

To learn more about the Alternative Asset Advisory practice or the LP Survey itself, please contact me on my details below.

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Geoff Bouchier

Alternative finance providers: will these lenders lead the UK's economic recovery?

SME lending and investment is being driven by non-traditional sources. With bank lending continuing to show signs of constraint, businesses are increasingly looking to alternative finance providers (AFPs) to access the finance required for investment and growth; and in the case of stressed businesses, for ongoing survival.

In its own attempt to address this funding gap, the Government announced in April 2013 that, as part of the business bank initiative first launched in Autumn 2012, £300m will be made available to SME businesses. As part of this scheme, investment level from the private sector must match that of the funds introduced by the Government. The aim of the initiative will be to generate a broader choice of funders which can be approached by SMEs to secure finance for their businesses.

Read a little further into the press release, however, and it quickly becomes apparent that this funding is not anticipated to be available for another six months at the very earliest and will require a proposal to be submitted to BIS (Department for Business, Innovation and Skills). This will do little to support those thousands of businesses whose funding needs are time critical and who may not otherwise make it to 2014.

It is, therefore, essential that these businesses can gain immediate access to funds via AFPs such as peer-to-peer lenders, angel investors, ABLs and private equity/ distressed funds.

Whilst many of the "traditional participants" have been around for some time, it is exciting to see a fresh approach being taken by many AFPs to their product offerings, particularly given the success of online auction platforms, as they seek to satisfy the perceived lack of funding to the SME market.

Given the opportunity potential, we are seeing more and more US-based AFPs start to compete for business within the UK market. Consequently, the success of all AFPs will increasingly be determined by pricing, facility creativeness and customisation, as well as the speed with which they respond to a particular opportunity.

Additionally, the AFPs have and will continue to be a potential source of key finance for the 160,000 "zombie companies" that were reported to exist by R3: The Association of Business Recovery Professionals in November 2012.

In their present form, and with interest rates remaining low, the zombie company neither fails nor thrives. However, it is believed that up to two thirds of these companies could be viable for survival, and, indeed, for growth. Rather than looking at these companies as the "living dead" we are seeing AFPs leveraging their diverse professional background and skill sets to assess the level of financial and operational support required by a business and if thought viable, put an immediate plan into action.

The appetite of banks to lend will undoubtedly return in time. However, until then, the AFPs will continue to feature in the recovery of SME businesses across the UK.

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Duff & Phelps

Portman Square, London

Benjamin Wiles

News from the Square

It would be very difficult not to begin this update without mentioning the tragic passing of Matt 'Bondy' Bond, a larger than life character and beloved member of the Portman Square team. Bondy will be greatly missed by all who had the pleasure of working with him.

One of Matt's many contributions to the firm was overseeing our successful training and professional development programme, and we have continued to see exam passes for our trainees at all levels. Specific mention should extend to Nicola Harnor who recently passed her JIEB exams and also to Ryan Murray, Sandipan Bhowmik and Ben Henshilwood, who have all recently qualified as Chartered Accountants. Congratulations on their outstanding achievements.

Whilst the market has continued to be subdued over the last six months, we have nonetheless seen some exciting and challenging assignments across a variety of sectors.

Our appointment as Administrators of Axminster Carpets made headlines as it is and remains a much loved British brand. We were delighted to have achieved a sale of the business as a going concern, securing in excess of 100 jobs and preserving a 250-year history.

We continue to demonstrate our expertise in the financial services sector, having been appointed as Administrators of Tiuta plc, a leading bridging loan lender.

We have seen companies in distress seeking solution-driven advice to avoid an insolvency process – with stakeholder management and advisory assignments dominating new engagements over the last six months.

We also continue to work closely with the Financial Advisory and Corporate Finance teams in Canary Wharf, and draw upon each other's extensive skill sets and contacts.

Our secondment programme has seen Ben Henshilwood commencing a 12 month secondment at RBS and Lauren Aicardi will be taking up a 9 month secondment at Lloyds Banking Group. These opportunities will benefit their professional development, and they will make valuable contributions to both banks in supporting their clients.

We are pleased to announce that Peter Cooper has joined as a partner in London. Peter will be a valuable and experienced addition to the expanding Business Consulting Team.

We also recognise Michael Bills' recent and well-deserved promotion to director. Mike was the firm's first placement student over 10 years ago and has provided leadership and guidance to the Business Consulting Team for a number of years.

As always, we look forward to working with you and if you have a query, do not hesitate to contact me or the other partners for assistance.

We were delighted to have achieved a sale of the business as a going concern, securing in excess of 100 jobs and preserving a 250-year history

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Mathias Schumacher

City life

The team in Canary Wharf has been focussed on helping its corporate, banking and private equity clients with financial reporting and regulatory changes, as well as advising on a number of potential transactions.

The adoption of IFRS 13 *Fair Value Measurement* for companies reporting under IFRS represents a significant step forward in how companies will measure fair value. IFRS 13 will help ensure that companies perform fair value measurements consistently, have a single objective and provide information about the measurements commensurate with the level of subjectivity in them.

The IASB and the FASB, key standard setting bodies for financial reporting, have finally achieved the goal of establishing a common framework for measuring fair value. While a single fair value standard has been in US GAAP for quite some time, such uniform, unified guidance on measuring fair value did not exist under IFRS until the IASB issued IFRS 13.

The new standard became mandatory on 1 January 2013, and European companies will only this year grapple with the changes for their reporting periods. For the Valuation Advisory Services team, the adoption of IFRS 13 provides significant opportunities to assist clients with ensuring that valuations comply with the new requirements, such as supporting market participant assumptions made for business combinations accounting and asset impairment testing (including goodwill), as well as providing the information needed for preparing the relevant disclosures.

For alternative asset managers in the EU, the likely adoption later this year of the Alternative Investment Fund Managers Directive (AIFMD) remains top of mind. The AIFMD sets out broad rules regarding the organisation and conduct of business for alternative investment funds. The regulation will have a fundamental effect on how funds will address and report on areas such as valuation and limits on leverage, amongst other key areas, and will require enhanced communication to investors. In response, the Portfolio Valuation team has already begun assisting private equity and hedge fund managers with establishing fund valuation policies and procedures for their illiquid assets to address the likely new industry regulation.

With great pride we announce that Hilary Eastman, former IASB senior technical manager, returns to Duff & Phelps as a Director in the Office of Professional Practice. Hilary, based in London, will serve as a global resource focussed primarily on valuation issues related to financial reporting under IFRS. Notably, Hilary led the project that resulted in the accounting standard on fair value measurement (IFRS 13). She was also involved in the project to revise the IASB's accounting standard on business combinations (IFRS 3) in 2008, the development of the IFRS Foundation's educational material on IFRS 13 and the efforts to resolve financial instrument valuation issues during the financial crisis.

Hilary began her career in PricewaterhouseCoopers' Corporate Value Consulting practice, focusing on financial and tax reporting valuations. She moved from San Francisco to Amsterdam in 2003, as the business expanded internationally. She relocated to London in 2005, the year Duff & Phelps acquired the Standard & Poor's Corporate Value Consulting group, which included PwC's legacy valuation business.

Hilary's transition from her IASB role underscores Duff & Phelps' commitment to regulatory and thought leadership efforts. Through the Office of Professional Practice, the firm's professionals monitor the latest economic and regulatory developments and consistently provide input to key standard-setting and regulatory bodies as they develop new rules and implementation guidance with valuation implications.

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Duff & Phelps
Manchester


Philip Duffy

Another challenging year

Much has happened since our last edition of Upside (Autumn 2012) in both client assignments and also in regards to our team.

We are pleased to announce that David Fleming and Jimmy Saunders have both recently been promoted to director, so please join us in congratulating them on this professional achievement.

The year began with an increase in work volume for the Manchester office and we have been focussed on a variety of critical assignments. Several of the more interesting (and undisclosed) cases we have undertaken include:

- Sell side advisory on a national home products retail business to a VC
- The refinance of a national house builder
- Sell side advisory on an international software provider
- Refinance of a building supplies business
- Sell side advisory of a quarrying business

Similar to views shared by colleagues in our other regional offices, we are seeing an increase in the number of non-formal engagements. Given this developing marketplace trend, both Paul Smith and David Fleming have been admitted as members to the Institute for Turnaround ("IFT"), following a rigorous accreditation process. The IFT presents itself as Europe's leading representative body for accredited turnaround and transformation professionals.

The teams have also been focussed on advising businesses that are more widely known such as civil drainage supplier, WTB Trading Limited (formerly Burdens Limited), and supermarket pizza supplier, Paramount Foods Limited, where we were appointed Administrators over the respective businesses late last year.

Other sectors where we have been formally appointed and achieved sales of businesses include:

- Automotive engineering
- Aerospace engineering
- Care homes
- Hotels
- Distribution

According to statistics recently released by The Insolvency Service, the number of formal administration appointments decreased in 2012 compared to the previous year. However, given the stagnant economic climate, the market remains challenged. We are seeing a divide between those companies that are struggling, and those that are holding their own. The latter are building up cash reserves, and when confidence increases, I believe we will see an increase in the number of transactions coming to market.

Finally, we are delighted to announce the launch of another Northern office in Leeds, under the leadership of Jeremy Bennett. We are also pleased to congratulate Andrew Knowles on passing his JIEB exams, and welcome new joiner, Carla Minish, to the office.

As always, on behalf of all Manchester colleagues, thank you for your support and I look forward to the opportunity to work with you in the near future.

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Duff & Phelps
Birmingham

Matt Ingram

The view from the Midlands

The broad depth of work that modern restructuring firms undertake, for both the stakeholders of distressed corporates and for funders as part of the due diligence process, has been well reflected in the assignments that the Birmingham office has executed since the start of the year. Our Advisory and Recovery teams have been engaged in equal measure.

On the Advisory side, we have been increasingly involved with a number of limited scope 'pre-lend' assignments – introduced to us by the incoming lender where the credit and risk panel has raised specific points that require clarification prior to credit sanction. Our specialists on the Advisory team typically provide visibility on the areas of concern for bank clients in these situations. In all of the assignments that we have undertaken recently, the borrower has successfully completed its re-banking.

Our Advisory team has also been involved with a number of traditional IBRs and option reviews.

In two recent unconnected cases, the role of the restructuring advisor as "independent broker" post-IBR was well demonstrated. Both borrowers had sound core businesses, but as is so often the case in the current climate, had been unable to realign overheads with a declining turnover. Our scope identified that the medium term working capital requirements of both businesses exceeded the amount that could be raised through traditional debt packages. However, by providing an on-going monitoring role, together with a rolling 13 week forecast analysis, we were able to give the incumbent lender sufficient comfort to maintain current facilities whilst additional equity was sourced. In both matters, external investment was secured to demonstrate viability and banking facilities remain committed for the longer term.

Our Recovery teams have also been engaged on a variety of assignments. Following an accelerated M&A process, we were recently appointed Administrators to 'The SO Group' of companies, an events and exhibitions business, with a turnover in excess of £50m. We sold the business and assets of the group as a going concern to an American trade buyer. The transaction resulted in more than 350 jobs being preserved and a significantly improved outcome for the principal lender.

The hotel industry as a whole still remains a sector under pressure. In February, we were appointed Administrators to Hotel Company 42 The Calls Limited, a regional boutique hotel. We have continued to trade the hotel since our appointment and we expect to be in a position to propose a company voluntary arrangement in the near future.

Finally, we are delighted to welcome Richard Voice to the Birmingham office. Richard, who joined us in December, has worked in the Midlands restructuring market for 25 years, the last 17 of which were with KPMG in Birmingham. Richard has vast restructuring experience and joins as a senior manager overseeing our formal insolvency assignments and accelerated M&A engagements.

The transaction resulted in more than 350 jobs being preserved and a significantly improved outcome for the principal lender

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