

COMPLETION

Getting deals done with Baker Tilly Corporate Finance

Issue 3 | Autumn 2008

PLUS

MAKING WAVES

MIDDLE EASTERN CAPITAL
FLOODS INTO THE
FINANCIAL LANDSCAPE

WIN-WIN SITUATION

WHY GOING GREEN
IS GOOD FOR BUSINESS
AS WELL AS THE CLIMATE

GREY EXPECTATIONS

MEETING THE PENSION
FUND DEFICIT'S CHALLENGE

TECHNO PARTY

Ed Macnair explains how
the technology sector
is thriving despite the
economic downturn



BAKER TILLY

Challenging times

Let Baker Tilly guide your business through the storm

To talk to us about your business, contact Lindsey Thompson on 020 7002 8763 or at lindsey.thompson@bakertilly.co.uk

www.bakertilly.co.uk

an independent member of
BAKER TILLY
INTERNATIONAL

Baker Tilly UK Audit LLP, Baker Tilly Tax and Advisory Services LLP, Baker Tilly Corporate Finance LLP, Baker Tilly Restructuring and Recovery LLP and Baker Tilly Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide.

Baker Tilly & Co Limited is authorised and regulated by the Financial Services Authority to conduct a range of investment business activities.

 **BAKER TILLY**

COMPLETION | CONTENTS

Getting deals done with Baker Tilly Corporate Finance

“EMPLOYEES EXPECT MORE FROM THEIR COMPANIES IN AREAS SUCH AS RECYCLING AND SWITCHING TO ALTERNATIVE FUELS”

DIANE GWILLIAM, PARTNER, BAKER TILLY

10

FEATURES

- 6 THE BIG ISSUE**
Although Western companies are struggling to access credit, the Middle East is flooded with liquidity and looking further afield to invest
- 10 BEST PRACTICE**
Customers and employees may be demanding green policies, but companies are also realising that they make good economic sense
- 12 SECTOR FOCUS**
Some areas of business are bucking the downward trend. The strong growth of Ed Macnair's software firm Marshal is typical of the technology sector

REGULARS

- 4 BAKER TILLY NETWORK**
News and views from the front line
- 16 ACTION REPLAY**
How Motorclean has polished its act since an MBO
- 18 TECHNICAL UPDATE**
Why pension schemes are becoming increasingly complicated
- 20 REGIONAL OUTLOOK**
The North proves resilient against the credit crunch
- 21 ASK THE EXPERT**
Filling the gap in turnaround investing
- 22 DEAL LOG**
An update on the latest Baker Tilly deals



EDITORIAL



Beautyicians do not generally double up as economists. But when a London-based beauty therapist was asked why her salon was so quiet, she said simply: “It’s the credit crunch.” This may have been slightly ingenuous but it is an indication of the pervasive pessimism gripping the country right now.

Banks are reluctant to lend, property prices are sliding and the price of almost everything else is rising. Consumers are feeling the pinch and their gloom is exacerbated by fears that the economy will get worse before it gets better.

These concerns are echoed, naturally, in the business community. Companies are experiencing tougher times than they have done in years, particularly those which geared up when banks were lending money hand over fist.

Nonetheless, some business owners find the current period exciting, since it is likely to provoke a range of opportunities. Companies that once looked over-valued now seem much more reasonable. Companies that once would not consider bid approaches are now keen to be bought. And companies that once seemed vulnerable are now anxious to be rescued, often at rock-bottom prices.

Quite simply, this is the sort of climate where good businesses can become even better. There are enticing bargains to be had and canny owners will take advantage of the current environment to snap them up.

Of course, trading is a challenge for many firms. But economies are cyclical and conditions will improve. Meanwhile, the businesses that survive will be those which focus on delivering the best products and services to customers in the most efficient and cost-effective way possible. And the businesses that will thrive will be those which do all that – and keep an eye out for bargains.

Joanne Hart, Editor

NETWORK

NEWS AND VIEWS FROM THE FRONT LINE

BAGLEY BAGGED



Baker Tilly is delighted that David Bagley has joined the Leeds office as a Corporate Finance Partner, where he will focus on the Northern

marketplace. Bagley's depth of experience adds significantly to the company's existing strong corporate finance offering in the North and will enhance the profile of the office among the region's larger corporate community.

Bagley is a long-established member of the Northern corporate finance community and has worked in all aspects of corporate finance during his career.

After qualifying as a chartered accountant, Bagley joined merchant banker SG Warburg & Co. Ltd in the City of London, to specialise in banking, asset financing and corporate finance. He then returned to his native Yorkshire to work for several years at 3i in venture capital.

At a time when accountancy firms were starting to specialise in corporate finance advice in the regional markets, Coopers & Lybrand (now PwC) approached Bagley to join its fledgling corporate finance team. As a key member of the team, he assisted its development into a leading force in the Yorkshire marketplace before being recruited by Ernst & Young (E&Y) to help grow its Leeds corporate finance lead advisory practice.

Following nine years at E&Y as a Corporate Finance Partner, Bagley was appointed as a Corporate Director in Barclays Bank's Yorkshire and North East Large Corporate team. His responsibilities included managing the team and developing new business opportunities in the marketplace.

Bagley is a member of the Securities Institute and holds the Corporate Finance qualification from the Institute of Chartered Accountants in England and Wales (ICAEW).

He is married with two daughters, and his hobbies include motorsports, sailing, walking, (lamentably bad) golf and early-stage training for Guide Dogs for the Blind.



GETTY

RAY OF LIGHT

As the credit squeeze continues, business owners have to look beyond the banks to access available funding, says Rob Donaldson

If there is one glaring realisation to come out of the past few months, it is this: that the financial industry is built on confidence and, once the confidence begins to disappear, the consequences can be catastrophic. Major financial institutions have toppled like flies. Certainly irresponsible loans have been made; certainly too many banks and insurers invested in products without fully understanding how risky they were. But it is hard to know how much of the current situation stems from bad business and how much from bad karma.

This does not make matters any easier for business owners. But, as the slowdown

begins to bite in earnest, there are steps that companies can take to protect themselves. First, they should analyse their funding needs for the next 12 to 18 months. Banks are not in the mood to lend, so any requests for capital will take longer to process and probably end up costing a lot more than they did.

Businesses should also focus on cash flow. Increasing revenues and profits are admirable goals, but in this climate they will have much less traction with lenders if cash flow is weak.

Management teams should also think creatively. Banks are not the only lenders in

town and invoice discounting, asset-based lending and mezzanine finance are all ways of borrowing money without going to the bank manager.

Private equity firms are still open for business too. Many of them are awash with cash and keen to invest it. Some are even prepared to buy stakes in companies, or buy them outright, without recourse to the debt markets.

Times have changed, and expectations have to be adjusted. But the world is not a uniform shade of grey. Commodity prices, including oil, are falling fast and that should bring inflation down, allowing the Bank of England to cut base rates. These should start to fall, perhaps substantially next year, and that, in turn, should encourage a slow economic recovery.

The next two years will not be easy. But there are ways of weathering the storm – and the clouds will pass, eventually.

Rob Donaldson is Head of M&A and Private Equity at Baker Tilly.

IT'S ALL IN THE NAME FOR VIRCHOW, KRAUSE & COMPANY

Virchow, Krause & Company LLP, the 15th largest CPA and consulting firm in the US, plans to change its name to Baker Tilly LLP, making it the exclusive US branded firm in the Baker Tilly International network.

Virchow Krause is seeking regulatory approval to make the change and emphasised that it is not merging with Baker Tilly, nor being acquired, but will maintain independent member status. Once all regulatory and compliance standards have been met, the company will determine the implementation date.

Explaining the decision, Tim Christen, Virchow Krause CEO, said: "The world is becoming smaller and many of our current clients, and the new clients we're engaging, are involved in international commerce. Representing the Baker Tilly global brand in the US will strengthen our ability to provide clients with seamless resources and benefits as they develop business abroad."

Geoff Barnes, CEO and President of Baker Tilly International, said the move was prompted by a desire to develop the Baker Tilly brand worldwide. "As the largest US member firm, Virchow Krause became the logical choice to carry the brand in the US."

"Virchow Krause has long been a leader in the accounting profession," said Jim Castellano, Chair of Baker Tilly International and past Chair of the American Institute of Certified Public Accountants. "Its solid reputation for excellence will play an important role in the continued growth of the Baker Tilly brand throughout the US, and the continued success of all of its independent members around the world."

With more than 1,300 staff, Virchow Krause operates from Chicago, Detroit, Minneapolis and Wisconsin, providing a range of accounting, tax, assurance and consulting services. The name change will not impact on any existing offices.

A REMARKABLE QUARTER CENTURY

This year the BVCA – the British Private Equity and Venture Capital Association – is celebrating its 25th anniversary. The organisation, like the industry it represents, has changed immeasurably over the past quarter of a century as the sector has grown into one of the biggest success stories in the British economy.

According to Simon Walker, Chief Executive of the BVCA, "Today, Britain is the private equity centre of Europe and our industry is the second largest worldwide, after the US. In those 25 years we have gone from being little more than a cottage industry into part of the UK mainstream economy."

Britain benefits from the industry in some key ways. For the financial year 2006/07, it is estimated that private equity-backed companies generated total sales of £310 billion, exports of £60 billion and contributed nearly £35 billion in taxes. That's enough tax to pay for all the nurses and police officers in the UK. During the same period, financial and professional services firms generated



an estimated £5.4 billion in revenue through the provision of services to the private equity community.

Baker Tilly is lead sponsor for the 25th anniversary Annual Gala Dinner being held on Thursday 13 November.

CASH *to* SPLASH

Credit is increasingly hard to come by in the West but the Middle East is awash with liquidity and much of that capital is flowing into Europe

WORDS: PHIL THORNTON ILLUSTRATION: THE BOY FITZ HAMMOND

In the 1976 film *All the President's Men* Deep Throat tells Bob Woodward to "Follow the money". Western companies are certainly taking that advice when it comes to the billions of dollars flooding out of the Middle East.

The oil-rich region has accumulated vast surpluses of cash thanks to the stratospheric rise in the price of crude, from just \$9 a barrel in 1999 to more than \$140 earlier this year.

According to estimates from credit rating agency Standard & Poor's, leading Gulf countries have collectively amassed investable capital of \$2.3 trillion (£1.16 trillion).

The size of this windfall has revived memories of the 1970s and 1980s when Gulf states used their windfalls to build lavish vanity projects that added little to the domestic economy. This

time, there is an important difference. Now Middle Eastern leaders are far canner, using their wealth for both domestic investment in projects to diversify away from petrochemicals and for investment in Western assets.

The trend has created a flood of petrodollars – US currency is received in exchange for oil exports which is then invested both domestically and internationally.

"You don't need to be an expert to appreciate that this has created a much needed and new source of finance for Western firms and has become a growing feature of global M&A activity," says Ali Aneizi, Partner in the M&A and Private Equity team at Baker Tilly in London.

The International Institute of Finance estimates that between 2001 and 2006, total export earnings from »





“THERE ARE ESTIMATES THAT SUGGEST DURING THE OIL PRICE PEAK THE GULF WAS GENERATING ALMOST A \$1 BILLION OF SURPLUS CASH EVERY DAY”

ALI ANEIZI, PARTNER, BAKER TILLY

› the members of the Gulf Cooperation Council (GCC) – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE – exceeded \$1.5 trillion, more than double those in the previous five-year period.

Of that, about \$1 trillion went on exports, while some \$542 billion was recycled into the global capital markets and contributed to an increase in GCC foreign asset holdings – \$300 billion in the US, \$100 billion in Europe, \$60 billion each in the Middle East and in Asia, and \$22 billion elsewhere.

Aneizi says the “ridiculous” rise in oil and gas prices has boosted GCC coffers further. “Their firepower has become extraordinary,” he says. “There are estimates that suggest during the oil price peak the Gulf was generating almost a \$1 billion of surplus cash every day.”

This investment category is exciting banks and financial centres across the Western world – particularly as the credit crunch continues to strangle liquidity in domestic markets. It is a

vital form of finance for two reasons. First, Arab sovereign wealth funds (SWFs), state-owned investment vehicles that for decades invested in safe assets such as Treasury bonds, have developed an appetite for risk. They have helped recapitalise several Western banks in the US, the UK and Continental Europe. The £1.8 billion investment in Barclays by the Qatar Investment Authority (QIA) last June was just one notable example. The QIA, one of the smaller wealth funds has some £35 billion invested in blue-chip assets overseas.

“It’s difficult these days to flick through the financial press and not read about SWFs. They make the headlines because their firepower is incredible and their investments are high profile,” Aneizi says. “Investing \$7.5 billion in Citigroup, taking a significant stake in the London Stock Exchange and buying the iconic Chrysler building in New York are not the sort of investments that fly below the radar.”

Demand for Shariah



SWFs are not the only story in town. Many Middle Eastern families and organisations, living either in the Gulf or overseas, are looking for investments that comply with the Shariah religious code.

The value of assets searching for this kind of home is an estimated \$500 billion. According to the consultancy Accenture, demand for Shariah-compliant investments is growing at a rate of 15% a year.

If present growth trends persist, as

much as \$24 billion a year could be flowing to Islamic savings products from individual households alone by the year 2020.

This combination of increasing interest in Shariah combined with a coolness towards US-based finance, has opened the door to European banks. According to Accenture the 13 million Muslims in the European Union represent a block of “Islamic mass affluence” second only to the energy-rich states.

Aneizi agrees. “The global Muslim population is growing quickly and the middle-class portion of that population is a key component. They are becoming more and more sophisticated and their demand for financial products is rising.”

“Muslim nations and individuals in the post 9/11 world are wary of investing in the US, and increasingly interested in investments that comply with Shariah law,” says James Sproule, Head of Accenture’s Capital Markets research.

London has taken this opportunity to expand its share of the market with both hands. The Financial Services Authority has authorised three wholly Islamic banks in the UK and more are in the pipeline.

This makes the UK capital the only financial centre actively involved in Shariah-compliant market intermediation that is not in a Muslim country.

It looks like a wise move. Standards & Poor’s estimates that up to 300,000 retail customers in the UK would be ready customers for Shariah-compliant banking services.

“London has the capacity to become a hub for Shariah-compliant financial flows that seek recycling in Europe,” the ratings agency said in its 2008 *Islamic Finance Outlook*.

But if Shariah-compliant finance presents a huge opportunity, it also poses challenges, as Western banks need to change the way in which they structure the products and deals they offer.

There are a number of guiding principles for any financial product wishing to comply with Shariah law:

- a prohibition on usury, which is generally interpreted as a ban on interest payments;
- a prohibition on investments in gambling, pornography, tobacco, pig products and alcohol; and
- a requirement to focus on real trade and transactions rather than speculation.

This means Shariah-compliant investment tends to focus on the technology, telecoms, real estate, pharmaceutical, and oil and gas sectors. A good example is HSBC’s investment in Amtech Power Software (see box).

Western companies should be aware that Shariah-compliant investors will have a supervisory board of Shariah scholars to provide advice on compliance. However, HSBC’s Head of UK Private Equity, Mahmoud Atalla, points out that 80% of businesses pass the basic tests of Shariah. “The rules are not so restrictive,” he says.

Concerns raised

The reality is that wealth from Gulf-based investors, whether based on Shariah rules or not, will become a dominant source of capital for Western firms.

The growth in activity by SWFs has provoked concern in the US and in Europe. They have come under intense

scrutiny in recent years as they have snapped up symbolic assets such as Abu Dhabi’s ADIC’s \$800 million purchase of the Chrysler building in New York, but Baker Tilly’s Aneizi says politicians should take a more sanguine view. “Money is a commodity,” he says. “Whether you are a SWF or a more traditional buy-out house, you are effectively supplying the same thing, cash. Advisers should

“MIDDLE EASTERN MONEY WILL BECOME MORE OF A FEATURE OF THE INTERNATIONAL INVESTMENT LANDSCAPE”

MAHMOUD ATALLA, HEAD OF UK PRIVATE EQUITY, HSBC

therefore treat these wealth funds in the same way as any other investor. The issues are the same: what are the commercial terms; how likely are they are to get a deal over the finishing line; what control are they after; and is there an exit strategy in place?

“They tend to be long-term investors. Unlike a 10-year LLP they are less exit driven and more yield focused,” Aneizi continues. “In this difficult climate where capital is hard to come by and liquidity has dried up, if you’re an adviser you would not be wasting your time if you nurtured these relationships” he adds.

HSBC’s Atalla echoes the view that Middle Eastern capital will become an increasingly common part of the financial landscape.

“Shariah finance will become more prevalent because Middle Eastern money will become more of a feature of the international investment landscape in the future, not less,” he says.

“The main barrier to Islamic financing in a competitive way is people. As long as the industry continues to attract the best and inspire its people to pioneer, then it will be an exciting place to be.” ■

Phil Thornton is Lead Consultant at research house Clarity Economics.

FIRST PAST THE POST

AMTECH POWER SOFTWARE

HSBC’s investment in Amtech Power Software in July 2006 is believed to be the first Shariah-compliant management buy-out completed in the UK.

On the HSBC side, the deal was led by Mahmoud Atalla, now the bank’s Head of UK Private Equity. It was structured in a manner consistent with Islamic principles.

“We set out to prove that it was possible to deliver a Shariah-compliant leveraged buy-out structure that was Islamic and technically feasible,” Atalla recalls. “The deal was done on competitive terms and the structure was arguably more competitive than a conventional counterpart,” he adds. “We structured it using a *murabaha*, a mark-up financing vehicle which is a mainstream instrument in Islamic finance. It is done through an offsetting arrangement with HSBC that allows the business to save money on cash deposited at a higher rate than if it was deposited at a normal bank.”

Switched on

Businesses are under pressure to reduce carbon emissions. Besides, “going green” can benefit companies in the way customers perceive them, how employees react to them and the effect it has on their bottom line

WORDS: HEATHER CONNON IMAGE: iSTOCK

Bus company Go North East is sending all its drivers on training courses to teach them fuel-efficient driving, and installing a machine on vehicle dashboards to warn them when they stray out of the optimal zone. The company’s buses use 21 million litres of diesel a year, so, like other transport companies, it is one of the most obvious losers from the dramatic rise in oil prices, which sent diesel prices up 5p a litre in just one week this spring.

But across all industries, companies are facing dramatically higher bills to heat their offices, run their factories or fuel their salesmen’s cars. Green policies are no longer something that companies have as part of their marketing budget: sheer economics means that cutting fuel costs and reducing carbon emissions are now a core part of business strategy.

The Carbon Trust, which helps organisations reduce their carbon emissions, says that its two most popular publications are *Carbon Footprinting* and *Energy Use in Offices*, both of which help businesses

identify where they can make savings. Companies are introducing such tactics across their businesses as a way of controlling costs. Rolls-Royce and British Airways are asking fuel suppliers to come up with alternative, greener fuels for their aircraft engines; train companies are getting by on one less engine. But even companies for which fuel is not a central cost are finding ways to minimise the expense: East Anglian brewery company Adnams is using lighter bottles to save on transportation costs.

Investors, too, are seeing the enormous potential of green schemes. While the credit crunch means private equity funding is dwindling in most industries, funding of clean-technology projects reached a record high of \$2 billion in the second half of this year, according to the Cleantech Group, which promotes environmental investment.

“In the current climate, companies are feeling the burden of increased fuel costs,” says Baker Tilly Partner Diane Gwilliam. “Consumers are also becoming more conscious of the environmental implications of the choices they make, so businesses have to be aware of that demand and pressure.

Employees, too, expect more from their companies in areas such as recycling and switching to alternative fuels.”

The Carbon Trust recently introduced a green Standard, a certificate awarded to companies that can prove they are genuinely reducing their emissions – Morrisons, Trinity Mirror and B&Q are among those that have already qualified.

Carbon Trust Chief Executive Tom Delay says: “Achieving the Carbon Trust Standard will enable organisations to take advantage of the bottom-line benefits that come from reducing carbon emissions. What business and consumers both share is a desire for one, credible way to prove that an organisation has not only measured, but actually reduced, its carbon emissions year-on-year.”

Marketing benefits

Increasingly, companies are combining the business and the marketing case for going green. Take Tesco, for example: when it discovered that 19% of its emissions came from the huge fridges in its stores, the group embarked on a project to look for more efficient refrigeration processes. This was part of a programme aimed at reducing the carbon footprint of its existing buildings by half, along with similar cuts in emissions from its vehicle fleet, and building more efficient new stores. That is the financial half of the equation. But Tesco is also aware of the marketing benefits of being seen to be green. It is encouraging customers to re-use their carrier bags by giving them extra Clubcard points and plans to show the carbon footprint of all its products, having coded around 20% of them already.

Marks & Spencer, too, has won plaudits for its Plan A, so named, says Executive Chairman Sir Stuart Rose, because there is no Plan B. The Plan has various aims, including the introduction of a 5p charge for carrier bags and opening a carbon-neutral bra factory in Sri Lanka that will use 40 per cent less electricity than a traditional plant, underlining the fact that adopting greener policies also delivers financial benefits.

Intriguingly, while rising fuel costs have added impetus to companies’ environmental policies, there is plenty of

THE AVERAGE OFFICE WASTES £6,000 A YEAR BY LEAVING EQUIPMENT ON OVER WEEKENDS AND HOLIDAYS

evidence that they were already moving that way. A survey commissioned by the British Chambers of Commerce (BCC) in 2006 found that more than 80% of small and medium-sized businesses were energy efficient, or had plans to introduce efficient systems, while a third were actively trying to reduce their carbon footprint. The BCC has teamed up with the Carbon Trust to offer a Carbon-reduction Toolkit support pack for small businesses, which includes online and fact-sheet information.

It offers tips on how to reduce emissions as well as how to access loans to upgrade technology, and shows how easy it can be to generate real savings. The BCC calculates that turning up the central heating by just one degree adds 8% to fuel costs. And the average office wastes £6,000 a year simply by leaving equipment on over weekends and bank holidays. ■

NO SOFT TOUCH

IT was at the heart of the last economic downturn. This time round, it's much more resilient, as Ed Macnair from Marshal explains

WORDS: FIONA WALSH MAIN IMAGE: SCOTT WILLIAMS

A year ago, when the credit crunch first caught hold, few could have had any idea of just how devastating the global impact would be. Major economies around the world, including Britain, are teetering on the brink of recession, inflation is rising and the housing market has virtually ground to a halt. Hard-pressed consumers are struggling under the burden of higher mortgage payments, record petrol prices and rising gas and electricity bills.

Reflecting those economic woes, London shares moved decisively into bear market territory in the summer. Banks, housebuilders and retailers have been among the hardest hit, but ripples from the global economic

slowdown have been felt in virtually every corner of the market.

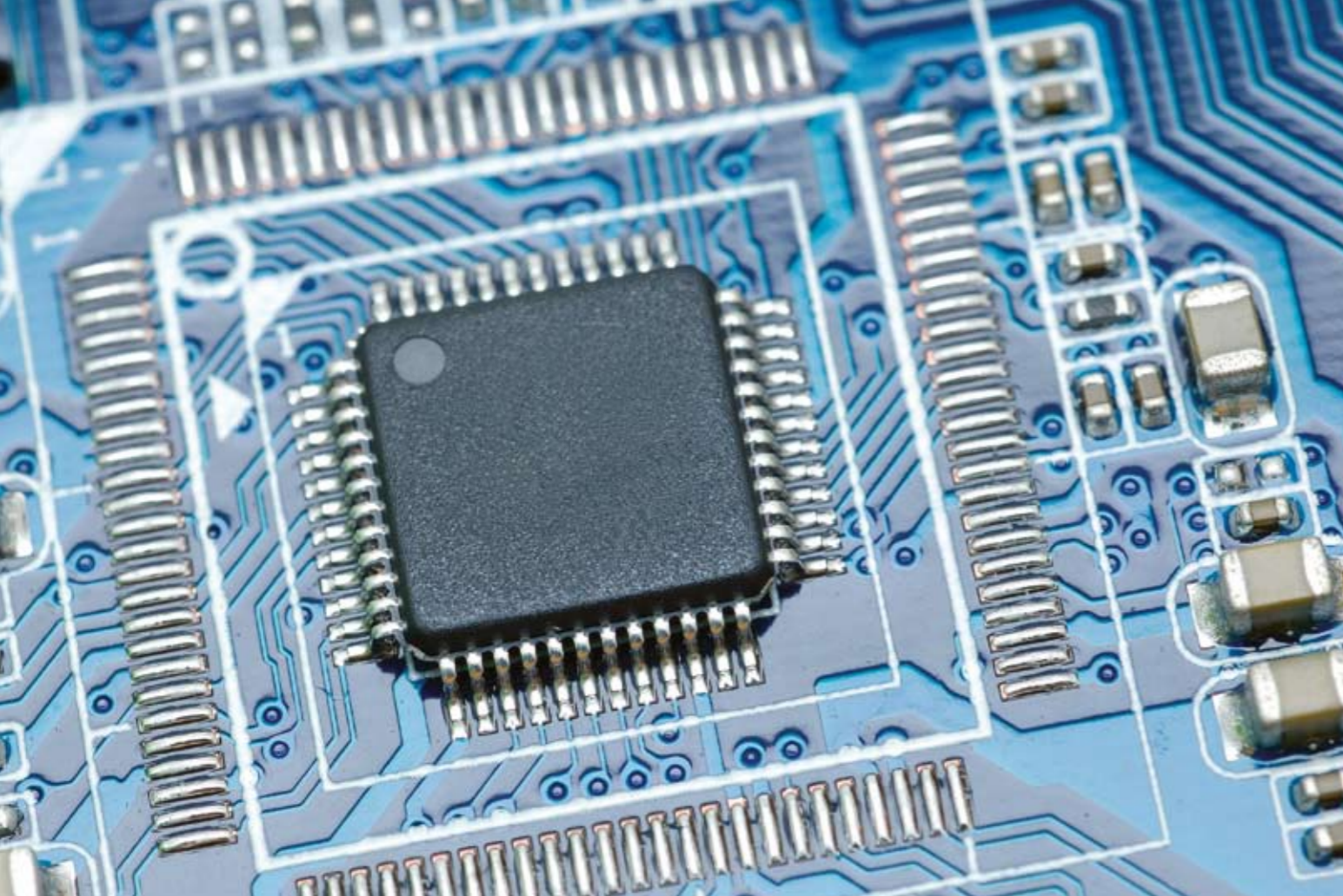
There is one sector, however, that continues to thrive – technology. As earnings have gone into reverse almost across the board, the strength of software and IT suppliers has been a marked feature of the market over the past year.

That is in stark contrast to the last downturn. When the dotcom bubble burst so spectacularly in 2001, the tech sector led the rout; now it is one of the most resistant in Britain.

No sector can be completely immune from the state of the economy but software suppliers are relatively cushioned, thanks to the high degree of recurring revenues that their systems bring in. Furthermore, in difficult economic times, »

“BEING INDEPENDENT HAS ENABLED US TO INVEST IN THE RIGHT AREAS AND TAKE MORE STRATEGIC DECISIONS”

ED MACNAIR, CHIEF EXECUTIVE, MARSHAL



- › hard-pressed customers tend not to change their systems, which means revenues are reasonably well protected.

Learning from experience

Few in the industry can forget the mayhem of the dotcom boom and bust. Valuations were slashed: billions of pounds of value evaporated and thousands of jobs were lost. But Baker Tilly Partner Kirsty Sandwell says it is very different this time.

“This downturn is fuelled in part by raging commodity prices, but software and technology companies are effectively ‘virtual’ businesses – their major costs are people so they are not really affected by spiralling oil and gas prices. They also have strong cash generation, which stands them in good stead in troubled times,” she says.

Valuable lessons were also learnt last time round, she says. “Before the dotcom bubble burst, valuations were artificially high; there were some totally insane figures back then. Things are more realistic now. Often people didn’t really understand what a business could do, or how long it would take to do it. People understand now.”

Those companies which survived the technology boom and bust have emerged far stronger and the sector has become more mainstream.

“Some of the most successful internet businesses are now traditional companies that have gone multi-channel. They are much better prepared,” says Sandwell.

Sunny outlook

ISTOCK That view is shared by Ed Macnair, who heads the software firm Marshal, a leading supplier of email and

web content security. Software as a service will remain one of the key growth trends, he says, and that growth is underpinned because the industry overall is in much better shape than it was during the last downturn.

“Before the dotcom boom and bust, a lot of business models were fundamentally flawed. People jumped on the bandwagon and didn’t know what they were doing. It was like the emperor’s new clothes in many cases. Now valuations are more realistic, companies know what they are doing and are actually making profits,” he says.

Based in Basingstoke, Marshal has offices around the world and specialises in protecting companies from viruses and misuse of their systems, such as phishing. Macnair bought the business from the Nasdaq-listed NetIQ three years ago, in a deal completed by the M&A and private equity team at Baker Tilly. Growth has been little short of spectacular ever since. “In general, the IT software and security sector has been immensely positive and analysts are forecasting growth in excess of 20%,” says Macnair.

Marshal has exceeded even those strong growth forecasts. “We have just closed our financial year. Revenues were up by 25% and profits by far more than that,” he says. The company has a renewal rate of more than 90% and 3,300 new customers, and has also signed its first \$1 million contract with plans for further expansion in the US.

Behind the stunning performance is the exponential growth of the security software market: “It’s a ‘must-have’ rather than a discretionary spend,” says Macnair. “The threat landscape continues to multiply and it’s not a risk businesses can afford to take.”

If Britain does lurch from slowdown into recession, there is a risk that big investment projects will be put on hold; cash-strapped companies will certainly not want to take on major expenditure such as a whole system changeover. But there will still be opportunities, as companies will be looking to make savings in every area.

This search for increased efficiency is likely to prove a major growth area for the sector, according to Tom Rogerson, Chief Technology Officer of Financial Services for Computer Sciences Corporation (CSC) in Europe.

Cut the clutter

In an article published in the *Financial Times*, Rogerson highlighted what he called “lean IT”. Some companies are functioning on 25-year-old core systems “which have been changed and maintained to the point of becoming arthritic”. But pressures are growing for companies to consolidate applications and reduce overall IT capital – “less is definitely becoming more”.

Convincing companies to make the change is not always easy. “Reviewing the IT landscape of many financial services companies is much like opening the doors of my kids’ bedrooms – full of clutter that’s been amassed over the years, and yet threatening to remove just one item provokes howls of protest,” says Rogerson.

“Unlike my kids, at least thus far, financial services companies have woken to the fact that clutter is hurting them. Cost, risk, agility and compliance are all affected by the impact caused by such prolific IT acquisition over the years,” he adds.

Certain sectors do offer higher growth potential to software suppliers, agrees Baker Tilly’s Sandwell, who highlights both the internet security sector and insurance.

“The insurance industry has yet to go through its technology ‘big bang’ as banking did in the 1980s and 1990s,” she says. “It is a regulated industry and people tend to think it has very sophisticated systems but this is not the case.”

Software for the insurance industry is thus a “very hot area”, she says. One company which has played a leading role in changing the way global insurance products are traded is software firm Mi Limited, whose clients include major players from HSBC to Aon and Marsh. In 2006 Baker Tilly advised on the sale of Mi to Open GI, the insurance software house backed by Montagu Private Equity. The deal strengthened Open GI’s insurance operation and gave it an entrance to the London insurance market.

Sandwell highlights the strong growth prospects in the internet security area: “We are all increasingly dependent on the internet and web businesses and their users need to be protected from hackers, spam and the like.”

Among the major players is Autonomy Corporation, the Cambridge-based company whose products helped uncover

the activities of the French rogue trader Jérôme Kerviel, and whose business has been boosted recently by growing demand for software that archives sensitive corporate data.

Its software can search email and phone call records, and it has won contracts with investment banks totalling more than \$130 million this year, highlighting the growing importance placed by banks on their regulatory and compliance responsibilities.

Another major player is Sage Group, the UK’s largest listed software company, providing accounting and other business software for smaller companies. Although the economic slowdown has held back growth in its US operations, Sage calmed investor fears over its growth earlier this year when it reported a 9% increase in interim sales, helped by recurring subscription contracts.

“Green IT” is another huge opportunity for the industry. There is a growing demand for software designed to help organisations conduct their business

“BEFORE THE DOTCOM BOOM AND BUST, A LOT OF BUSINESS MODELS WERE FUNDAMENTALLY FLAWED”

ED MACNAIR, CHIEF EXECUTIVE, MARSHAL

“virtually”, thus reducing the demand for travel and cutting back on their carbon footprint.

A recent survey by Intellect, the UK trade technology body, highlighted the sector’s growth prospects, saying the mood among SMEs in the software and IT sector remains bullish despite the global downturn.

Intellect asked software and IT services companies operating in the UK about their current and future performance and found that 53% forecast double-digit growth for 2008 compared with 49% a year earlier.

The overwhelming majority of respondents were SMEs and, according to the survey, they were most bullish about the year ahead, with businesses expecting 15% or greater organic growth largely at the smaller end of a £0-£20 million turnover range. Among the sectors most likely to generate this growth, the survey said, were services, telecoms, public sector and banking.

Nigel Hartnell, Chairman of Intellect’s Software Group and Executive Director of Software at service company FFastFill, said the results show that in today’s current economic climate, some SME software companies are finding their size an advantage, not a hindrance.

“Agile SMEs have the ability to respond to market changes and customer needs more quickly than large companies. Through innovation and intensive customer focus, many respondents believe they will generate impressive levels of organic growth,” he says. ■

Driving ambition

Car care company Motorclean was the subject of a management buy-out in 2005. By concentrating on values and vision, the company has more than doubled turnover and created strong foundations for a healthy future

WORDS: ANDREW CAVE

Dave Warren and his colleagues have come a long way in three short years. In 2005, Warren sat across the table from a group of Baker Tilly Corporate Finance executives (then acting for the vendor), as his team negotiated a management buy-out of Motorclean, the specialist outsourced car care company where he has worked since 1995. Now the business is flourishing and it seems likely that another transaction will take place some way down the track.

Warren, 41, started working for Motorclean 13 years ago when it was owned by David Finneberg, an entrepreneur who founded the business with a single site in 1975. "I worked my way up through the ranks before staging a management buy-out of the company along with Sales Director John Hammond and Operations Director Paul Cranwell," he explains. "We were appointed to the board six years ago and we were talking to David about the future because he was

"WE WILL HAVE ALMOST DOUBLED IN SIZE IN FOUR YEARS AND WE WANT TO GROW FURTHER"

DAVE WARREN, MANAGING DIRECTOR, MOTORCLEAN

not getting any younger and was still Managing Director. He asked if we were interested in doing a management buy-out to take the business onto the next stage of its development and we said yes."

The buy-out won backing from Lloyds TSB Development Capital and was completed in July 2005, since when the business has been transformed.

"We embarked on a rebranding of Motorclean," he says, "because it was a good company but not very well known.

"It did not really have a set of values and a vision. We felt that if we were going to brand the business,

we needed to have a clear vision for the staff. That was vital to us so we invited them to set the values for the business and help extend the brand. After a year, we relaunched the company with values that had been set by all the staff, not just the directors. We were involved, but it was the staff that came up with this."

The core values that emerged were excellence, commitment, innovation and flexibility, while the vision was to become the number-one provider of support services for the motor industry.

With this mandate and commitment, the new management team set about developing and growing the business from its roots as a car valeting firm to a company that carries out a wide range of outsourced functions for the motor trade. The business also invested heavily in technology and automated systems that allow it to process worksheets electronically and thereby improve efficiency.

"We still do valeting but we also carry out 'smart' repairs," says Warren. "We're a business solutions company. Motorclean is still the brand but we are about much more than cleaning cars."

The company runs no garages itself, operating instead on the premises of its corporate customers, including major dealership groups such as Inchcape and car manufacturers such as Porsche and BMW UK.

"We supply the manpower and equipment to do the job in their space," says Warren. "We also supply drivers to the motor industry. We supply absolutely everything. The only thing our corporate customers need to supply is an area for us to work in."

Under this strategy, Motorclean, which has its headquarters in Laindon, Essex, has grown into a sizeable operation with 1,000 staff operating at 350 of its customers' sites. Turnover has grown from about £13 million at the time of the buy-out to an expected £24 million this year.

"We will have almost doubled in size in four years and

we want to grow further," says Warren. "We believe there is massive potential for this company."

"I think this business has the potential to be turning over £45 million-£50 million a year," says Warren. "There is organic growth in that currently only about 40% of the market is outsourced and we are seeing this proportion grow. There's also potential for acquisitions. There are two or three companies that could make a difference to us."

Warren has kept in touch with Baker Tilly as he was impressed with the way that it dealt with his team as purchaser. "It was a good experience working with the people at Baker Tilly," he says. "Even though they were acting on behalf of the vendor, we got on very well with them during the negotiations and then through the completion of the deal. Sometimes, things get very fraught between parties to a transaction, but this was a fairly sensible negotiation."

Rob Donaldson, Head of Mergers and Acquisitions and Private Equity at Baker Tilly, says: "Motorclean is a very good brand. The dealership business has gone from strength to strength, and we believe this is a very strong business with great potential. We would very much like to help the shareholders succeed in their future plans." ■





Mind the gap

Coping with pension fund deficits can absorb valuable management time and company capital. But there are ways for employers to rise to the challenge

WORDS: PHIL THORNTON ILLUSTRATION: SPENCER WILSON

Pensions used to be simple. Sponsoring companies paid money into their schemes, fund managers invested that capital, trustees looked on benignly and, when employees retired, they received defined benefits for the decade or so of life remaining to them.

To many of today's employers, this seems more like a fairy tale than historical reality. A series of unfortunate events, such as the plundering of the Mirror Group pension fund by Robert Maxwell, the near-collapse of Equitable Life and the bear market of 2001 to 2003 have focused attention on pensions like never before. Trustees

are under pressure to ensure schemes are run properly and sponsors are under pressure to keep schemes from falling into serious deficit.

Not only have corporate and trustee obligations increased, but the way in which pension schemes are accounted for has become more onerous and is set to become even more exacting.

"Planned changes to accounting standards are going to make things even more demanding for companies. Assumptions are going to be more prudent and deficits are likely to get bigger," says Baker Tilly Partner, Bruce McKay.

As any corporate employer knows, pension balances are calculated by measuring the assets and liabilities in a scheme. The value of the assets is a relatively straightforward calculation but the liability side of the equation involves a series of assumptions, such as mortality rates, future interest rates, potential salary increases and inflation.

"Calculating pension fund liabilities is like nailing jelly to the wall," says McKay.

Nonetheless, the calculations are made and taken extremely seriously by such authorities as the Pensions Regulator, the Pension Protection Fund (PPF) and scheme trustees.

At the beginning of this year, the PPF said the schemes on which it has data – around 7,000 in total – had run up a combined deficit of more than £67 billion. Since then, the figure will have deteriorated sharply, as the UK stock market has fallen more than 10% and most pension funds include a significant proportion of equities.

Action stations

When deficits appear to be growing, trustees become nervous and will often demand that the pension fund is topped up with cash, at the very moment when companies can least afford it. For many employers, this can create serious tensions. But there are ways of dealing with the situation.

"The most obvious thing to do is close the scheme. Companies can either close their schemes to new entrants or to future accruals, which means that existing members will receive their defined benefit entitlements up to a given point but if they remain with the company, their pension arrangements will change," says McKay.

"Companies can also offload their entire scheme to a buy-out fund. This is an increasingly popular option but it may not always be the best choice for trustees and members, who will be moving from a known sponsor to an unknown one," he adds.

Some companies will offer former employees so-called "enhanced transfer values", paying them more than their accrued pension is valued at to encourage them to switch to another provider.

Probably the most useful course that sponsors can take, however, is to maintain a strong, close relationship with their trustees. "It is often forgotten that trustees and sponsors have convergent aims. They both want the company to prosper," says McKay.

"The main difference occurs around the speed at which each side would like to operate. Employers are keen to take a long-term view but trustees may be keen to fill any gaps in the pension scheme at the earliest opportunity," he adds.

There are times, too, when trustees also sit on the board and this can create conflicts of interest. At such

times, or even when tensions escalate between the two parties, an independent adviser can provide a useful sense of perspective. "Advisers can look at a situation objectively and can reassure both sides as to the best course of action to follow," says McKay.

Advisers can be helpful, too, when employers are unsure about where they stand or fear that actions they are considering may incite the wrath of trustees or the Pensions Regulator.

"We were approached by a business that had sold all its assets and was left with more than £20 million of cash. It

"HIDING BEHIND TECHNICALITIES MAY SEEM SMART BUT IT INVARIABLY DOES NOT HELP IN THE LONG TERM"

PAUL JOHNSON, PARTNER, BAKER TILLY

also had a pension fund deficit with a notional liability of £8 million and was unsure what to do about it. It could either do nothing and wait for the pension fund to absorb all the cash or it could invest in another business, which is what it wanted to do," says Birmingham-based Baker Tilly Partner, Paul Johnson.

Pension legislation is frequently updated but certain types of transaction require the approval of the trustees and the Regulator while other deals do not. Baker Tilly and the company's lawyers felt this case did not need the Regulator's approval.

"But we felt it was important anyway to bring the trustees on board and to be open and upfront with them," says Johnson.

Baker Tilly helped the company find an appropriate target business and a deal was struck. "We then commissioned an independent report looking at whether the employer's covenant would be strengthened by the transaction. The report said it would," Johnson explains.

In the event, it turned out that regulatory approval was not technically required. Nonetheless, the approach taken by the management created substantial goodwill with the pension fund trustees and ensured a much smoother acquisition process.

"The key point is that it is really important to keep all parties informed of what you are doing. Hiding behind technicalities may seem smart but it invariably does not help in the long run," says Johnson.

Expected changes to regulations will give the Regulator even more power to pursue employers believed to have been negligent in their duties to pensioners.

"Keeping trustees onside will be even more important in the future," says Johnson. ■



Northern stars

The credit crunch has had an impact on every region in the UK, but parts of the North are proving resilient

WORDS: PHIL THORNTON

It would be ludicrous to suggest that the North is somehow immune from the problems affecting financial markets across the globe.

Scotland is home to a slew of life insurance businesses, and a considerable amount of the UK's banking community. Unsurprisingly, the slowdown in mergers and acquisitions (M&A) activity has been noticeable in the region.

"People forget how important the financial sector is to the Scottish economy," says Ewan Grant, who runs Baker Tilly's Corporate Finance team across the North.

Moreover, the takeover of Scottish & Newcastle by Carlsberg and Heineken, and the public-to-private buy-out of Aberdeen-based Abbot Group, pulled two more big fish from Scotland's already shallow pool of publicly quoted companies.

Overall, the number of IPOs and secondary fundraisings on AIM has slumped – but activity has not completely dried up. One notable transaction was the acquisition of Jamesstan Investments by bus builder Darwen Holdings in June this year. Jamesstan owns Leeds-based bus and coach maker Optare and the deal was financed by a £16 million share placing.

Gary Houghton, who heads Baker Tilly's Manchester-based Corporate Finance team, says 2008 has been a "very quiet" year for AIM so far but he emphasises that businesses with a sound proposition in the right sector can still raise capital. This is particularly the case as many venture capital trust funds are drawing towards the end of their natural lifespan and need to find good investments.

According to David Bagley, part of Baker Tilly's Leeds-based team, regional markets are "holding up well". He says: "Yorkshire is well represented by corporate buyers with cash and they are increasingly tempted to spend it as they are

now able to buy things at much more sensible prices."

Angela Toner, a Partner in Baker Tilly's Newcastle team, agrees. The team has acted as lead adviser on a number of management buy-outs, including Washington-based contract car valeting business InterClean and personal alarms firm Specialist Alarm Services. Activity was particularly pronounced shortly before a new capital gains tax regime was introduced on 5 April this year.

"THE TASK FOR CORPORATE FINANCIERS IS TO MAKE DEALS HAPPEN RATHER THAN WAIT FOR CLIENTS TO COME TO US"

DAVID BAGLEY, BAKER TILLY

"Vendors were motivated by the prospect of getting deals done before they incurred bigger tax bills and management teams were motivated by the prospect of owning their own businesses," says Toner.

Predictions that mergers and acquisitions activity would fall off a cliff after April have so far proved to be unfounded, however. Whether this situation persists will depend on banks' willingness to provide the necessary debt funding for trade and private equity buyers to finance deals. Bagley, who previously worked as a Corporate Director at Barclays in Yorkshire, believes that they will.

"Deals are being completed even if they are sometimes taking a lot longer," he says.

"The task for corporate financiers is to create opportunities and make deals happen rather than wait for clients to come to us." ■



BACK TO LIFE

Darren Forshaw
Partner, Endless LLP

Q In recent years, private equity firms have been buoyant. Now times are tougher, many houses are feeling the pinch. What makes Endless LLP different?

A Specialising in distressed debt, Endless LLP was founded less than three years ago and has since raised £300 million. The firm has invested £110 million in 19 buy-outs or investment situations and achieved six successful exits and two partial exits. Our latest and most high-profile involvement has been The Works, bought from administrators, Kröll.

Q Why have operationally robust companies come close to being financially bust?

A The typical company we are looking at is the over-leveraged buy-out that has gone wrong. Many businesses are extremely indebted, but they are finding it hard to service their debt. With the state of the economy, it has become very difficult to achieve sufficient growth to hit the forecasts. Companies cannot pay the interest and they cannot invest. All the capital is going to pay down the debt and that creates a spiral of long-term decline, where shareholders clash with bankers.

Q What is the solution in such situations?

A We have to get rid of the over-leveraging and that means taking some tough decisions. There have to be write-offs by the banks or the shareholders or both and that gives businesses the breathing space they need. We always insist on investing in equity and taking a long-term active role.

Sometimes, the people who have been appointed to manage the company are the correct team. Sometimes, the current management are jaded and they are not suited for a turnaround. What we have to do is take a decision

"THERE WAS A GAP IN TURNAROUND INVESTING. WE CAME FROM A TURNAROUND BACKGROUND AND TOOK THE LEAP INTO INVESTING IN TURNAROUNDS, SOMETHING THAT HAD NOT REALLY BEEN SEEN IN THIS COUNTRY"

DARREN FORSHAW, ENDLESS LLP



based on the long-term fundamentals of the business.

Every turnaround is different. The traditional teaching was that a turnaround had to be done in 100 days; that after 100 days it was saved or it was not. We prefer to think in terms of an intensive six-month period and even that can be easily extended. When new management is needed we can find the right management teams. We have access to plenty of the right people, who will be bold and make the right decisions.

Q Is Endless interested in investing in companies of a certain size?

A Endless was launched in December 2005 with an initial

fund of £135 million. The firm typically invests in companies with a turnover of between £20 million and £250 million and tends to put in between £5 million and £10 million of its own money. But it has made investments of as little as £1 million and would go as high as £20 million.

Q What spurred Endless to set up shop?

A There was a gap in turnaround investing. We came from a turnaround background and took the leap into investing in turnarounds, something that had not really been seen in this country. We look at the more difficult buy-outs, the types of businesses that are not attractive to traditional private equity backers. Both I and my fellow partner Garry Wilson were insolvency practitioners with Arthur Andersen and Ernst & Young. We worked in their restructuring teams, helping shareholders to turn round their investments in distressed businesses. We found there was a total absence of turnaround investment. It is available in the US but we realised there was a hole in the UK market.

In its first two years Endless was funded by a private individual, Yorkshire-based property investor David Newett. When the business model proved successful, Endless opened up an institutional fund with 12 investors from across the UK, Continental Europe and America. That fund of £164 million was backed by investors such as Bregal Investments.

Q So, is Endless a new breed of private equity investor?

A Possibly. We have filled a part of a hole in the turnaround investment environment. Other specialist investors are coming in, but so far only a part of the spectrum has been spanned. ■

DEAL LOG

SOME HEADLINE DEALS COMPLETED BY BAKER TILLY

EAST IS RISING

Tai Zi Capital Ltd
Sector: Property
Deal type: IPO
Deal value: £3 million
Baker Tilly: Paul Watts, reporting accountant

Tai Zi Capital Ltd is a newly formed South-East Asian property investor and raised £3 million on its AIM admission at the end of June.

The shell company intends to grow through acquiring mainly commercial, office and residential real estate as a basis for a rental portfolio. The Hong Kong-based firm will target properties in Hong Kong, Taiwan, Macau and possibly other areas of China.

RIGHT DIRECTION

Signpost Solutions Holdings Limited
Sector: Manufacturing
Deal type: Sale
Deal value: Undisclosed
Baker Tilly: Simon Chapman, lead adviser

Baker Tilly acted as lead advisers to the shareholders of Signpost Solutions Holdings Limited on the sale of the company to APT Controls Limited.

Signpost Solutions is a leading manufacturer of signposts, signal poles and road signs fixing components and was the subject of an MBO in 2003. Over the following years, the management team has successfully introduced new products, grown the business and repaid the MBO debt early.

Baker Tilly negotiated the deal with the purchaser, provided tax advice and project managed the deal to completion.

SUNNY OUTLOOK

Brightside Group plc
Sector: Financial services
Deal type: Acquisition
Deal value: £10.5 million
Baker Tilly: Paul Watts, reporting accountant

Bristol-based Brightside Group plc has



Signpost Solutions Holdings Limited, a leading signpost manufacturer, has been sold to APT Controls Limited.

successfully completed its acquisition of Group Direct and its associated companies, and Injury QED, finalising a fundamental reorganisation of the company.

Brightside Group plc is one of the fastest-growing insurance broking and financial services businesses in the UK, providing financial rehabilitation solutions to the UK consumer credit market.

The Brightside acquisition includes a strategic investment of £5.7 million from Norwich Union, and £4.9 million from Stena Investments, one of Sweden's largest companies.

The investment allows the group to strengthen its balance sheet and accelerate growth plans for further organic and acquisitive growth.

Baker Tilly was appointed reporting accountant on the transaction and undertook a series of due diligence requirements. It continues to provide tax and audit services to Brightside.

PEOPLE POWER

VMA
Sector: Recruitment
Deal type: MBO
Deal value: Undisclosed
Baker Tilly: Rob Donaldson, lead adviser

Baker Tilly's M&A and Private Equity team has successfully advised on the MBO of VMA, the market-leading senior recruiter to the public relations and corporate communications sectors. The deal saw founder and 49% shareholder Vicky Mann sell full control to VMA's 51% shareholder and CEO, Julia Meighan.

VMA has grown rapidly in recent years and is now recognised as the premier recruitment consultant for senior professionals across the corporate communications industry. The business has offices in London and Manchester and services a client base of FTSE 100 and government clients. The

buy-out allows CEO Julia Meighan to continue with her expansion plans for the business which include new service lines and geographical expansion on both a UK and European scale.

Following the deal, the business has been integrated with its sister business and continues to perform well ahead of a proposed second round of fundraising in the new year.

A GOOD PLAN

Plantech Ltd
Sector: Software & technology
Deal type: Sale
Deal value: Undisclosed
Baker Tilly: Kirsty Sandwell, lead adviser

Baker Tilly's M&A and Private Equity team has successfully completed the sale of Plantech Ltd, a leading supplier of planning software solutions and consultancy to the UK local

authorities. Plantech was acquired by IDOX plc, the AIM-listed specialist information and knowledge management company.

The deal enables IDOX to strengthen its position in the local authority market and the founding shareholders to retire from the business. Baker Tilly led the negotiations and successfully managed the deal to completion, helping the shareholders realise their investment in full.

SEVEN UP

Novus Leisure Limited
Sector: Leisure
Deal type: Acquisition
Deal value: Undisclosed
Baker Tilly: Jim Clifford, lead adviser

Novus Leisure Limited, the operator of bars, night clubs and restaurants including Tiger Tiger, Sugar Reef, Sway, the Langley and Abbey Bar, acquired seven venues of

Soho Clubs and Bars Limited from administrators Kroll. The seven venues are two Jewel Bars, the Shadow Lounge, LVPO, Village, Cheers and Bar Soho, all of which are located in the heart of London's West End. Consideration is not disclosed and debt funding was provided by Barclays Plc.

Baker Tilly supported Novus Leisure with financial due diligence on the transaction and deal advisory. Baker Tilly's Jim Clifford was well placed to advise Novus on a purchase from an administrator, having acted as an administrator on numerous instructions over the years – a case of poacher turned gamekeeper!

GO WESTAFF

Westaff (UK) Limited
Sector: Recruitment
Deal type: MBO
Deal value: Undisclosed
Baker Tilly: Nick Weston, lead adviser

Baker Tilly has advised the management team of Fortis Recruitment Group Limited on the acquisition of Westaff (UK) Limited, a subsidiary of Westaff Inc., USA. Westaff (UK) provides temporary staffing solutions to both commercial and industrial clients. Baker Tilly helped to negotiate the deal with the vendor, a NASDAQ-listed company based in California, USA, raised acquisition funding, advised on tax-related deal issues and project managed the deal to completion all within eight weeks.

GET THE MESSAGE

Optilan Communications Services Ltd
Sector: Business services
Deal type: MBO
Deal value: Undisclosed
Baker Tilly: Paul Johnson, due diligence

Baker Tilly's Birmingham Transaction Services team undertook financial due diligence for NVM Private Equity Limited when it backed the MBO of specialist communication contractor Optilan from the original shareholders.

Optilan specialises in project managing the installation of communications equipment largely to the oil and gas, and rail, sectors. The business has grown rapidly in the past five years with the securing of large contracts in Russia and the Middle East. It has also worked on a number of major infrastructure projects, including the Channel Tunnel Rail Link and the renovation of London's St Pancras Station.

BAKER TILLY CORPORATE FINANCE LLP

Lindsey Thompson

Business Development Manager

T +44 (0)20 7002 8763

lindsey.thompson@bakertilly.co.uk

www.bakertilly.co.uk

Published by

Bladonmore Media Ltd

T +44 (0)20 7631 1155

www.bladonmore.com

Editor **Joanne Hart**

Senior Account Manager **Julian Daniels**

Publisher **Jonty Summers**

Baker Tilly UK Audit LLP, Baker Tilly Tax and Advisory Services LLP, Baker Tilly Corporate Finance LLP and Baker Tilly Restructuring and Recovery LLP are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide.

Baker Tilly & Co Limited is authorised and regulated by the Financial Services Authority to conduct a range of investment business activities.

© 2008 Baker Tilly UK Group LLP, all rights reserved

This briefing is designed for the information of readers. While every effort has been made to ensure accuracy, information contained in this briefing may not be comprehensive and recipients should not act upon it without seeking professional advice.

