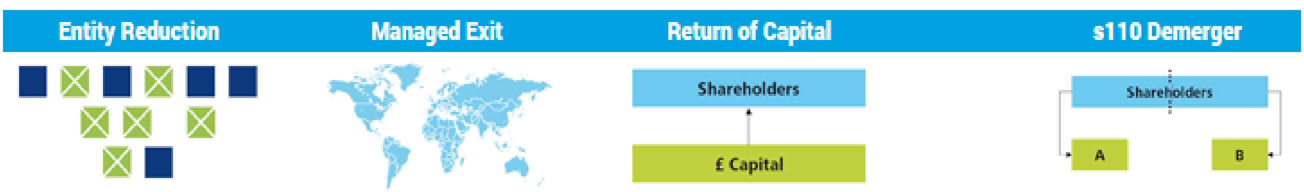
Corporate Simplification

- The Key Drivers for our services
- Examples of how we provide commercial solutions to specific client issues

Corporate Simplification

The Corporate Simplification team specialises in **solvent** wind-downs and exits (UK and multi-jurisdiction). We help clients to simplify entity structures, eliminate legacy companies and structures, extract capital and typically work with other service lines to wind-down and close non-core businesses/operations. We can work for audit and SEC clients.

The Key Drivers for our services



Client wishes to streamline group structure	Parent company wishes to close an operating business unit	Company has fulfilled its economic purpose with surplus funds to be returned to shareholders	Tax efficient reconstruction under the Insolvency Act to de-merge or partition group companies

Key Messages

- We are a core practice of the firm
- We work for audit and non-audit clients of the firm **including** SECRACs
- We work across all sectors
- We manage international assignments and linked into the Firm’s global network
- We are commercially minded and solutions focused
- We create work for others – typically for every £1 spent with us = £1 for another line of service
- Managed Exits are laden with opportunities for Deloitte

Corporate Simplification (solvent liquidations)

Some examples of how we provide commercial solutions to specific client issues

Client Issue
1. Contingent liabilities (2 examples)
2. Distribution of assets
3. Utilising capital losses
4. Minimising capital gains
5. Loss of corporate knowledge
6. Onerous lease
7. Shareholder dispute
8. Tax charge
9. International CRO and COO roles
10. Illegal dividends
11. DB Pension scheme with significant deficit
12. Mitigating stamp duty costs
13. Rogue director

Corporate Simplification

Client Issue	Deloitte Solution	Benefit
Contingent liabilities – significant listed company had large number of contingent claims in loss making subsidiary.	Liquidator assisted the client to understand the likely basis that would be used to quantify claims if pursued and how to propose an informal arrangement "deal" so that the creditors could be paid "full and "final".	"Deal" enabled client to reduce losses whilst dealing with 130 contingent claims - business avoided insolvent liquidation.
Contingent liability - having transferred the business and assets to another group company, our client wished to eliminate an entity with no remaining value. During the liquidation a significant historic tax liability came to light.	We worked in partnership with management to understand the issue and instructed specialist Deloitte tax advisors to challenge the claim which management believed to be unfounded. With tax advice the liquidators wrote to HMRC requesting details to substantiate the claim.	HMRC acknowledged the validity of the challenge and withdrew the claim of £330k.
Distribution of assets – following liquidation, a claim was received for negligent advice provided by the previous directors.	Whilst disputing the claim, at mediation we were able to demonstrate that the claimant had received notice of the liquidation and that it had crystallised the claim. Therefore as the assets (the business) had been distributed the claimant was not entitled to disturb that distribution	As the liquidation process "stops the clock" re claims/ distributions the reputation of the directors and their new business was preserved with a saving of a £3m claim and associated legal costs in disputing it..
Utilising capital losses - following the disposal of a commercial property our client's company had £2.8m of assets. The client's objective was to crystallise a capital loss from a distribution by a liquidator by 31 December year end.	We accelerated the liquidation timetable and agreed a mutually acceptable indemnity to facilitate a timely distribution of surplus assets by 31 December.	Capital loss of £2m+ crystallised in time to be used to off-set gains made elsewhere within the group.
Minimising capital gains - two group companies which our client wished to eliminate were holding £50.6m of surplus assets. There was potential for capital gains to be triggered if full net asset value distributed by a liquidator.	We worked collaboratively with Deloitte Tax to design step plans to simplify the companies' balance sheets by restructuring reserves and utilising debt waivers in advance of the liquidations. We also worked with Deloitte's Company Secretarial team to produce the legal documentation needed to implement the restructuring steps including; loan agreements and capital reduction documents.	Value of balance sheets both reduced from £50.6m to £2 prior to liquidation, thereby mitigating the risk of triggering capital gains during the winding up process.

Corporate Simplification

Client Issue	Deloitte Solution	Benefit
Loss of corporate knowledge - Due to the passage of time, knowledge of how the company's trading activities were governed was lost, meaning that it was difficult for the directors to determine a strategy for winding up its affairs whilst preserving value and considering the needs of external stakeholders.	We performed a detailed due diligence exercise to identify obligations on the company as a result of Operating Agreements governing its interactions with subsidiaries and other stakeholders. We worked collaboratively with the client's legal advisors to prepare variations to these agreements in order to implement an effective winding up plan.	Due to the variations agreed to the Operating Agreements in advance of liquidation, a consensual winding up process was agreed with the company's key stakeholders. This enabled value in the assets of £115k to be preserved within the group and also mitigated the risk of contingent liabilities arising as a result of the company breaching its obligations.
Onerous lease – following an acquisition our client had an onerous lease liability of £19m on a property it no longer required and due to significant dilapidation issues needed approximately £2m spent on it, to make it rentable.	Unique powers afforded to a liquidator to disclaim leases brought the landlord to the negotiating table and a settlement was reached.	Claim was settled for just £3.5m including dilapidations. In addition, on liquidation there was an immediate business rate saving (until the property was made rentable) which subsequently of £2m.
Shareholder dispute – the founder of this property company had died and family disagreed with future direction of the business. It was agreed that company’s assets be separated between the three principal stakeholders to facilitate their divergent interests.	Unique powers afforded to a liquidator within s110 of the Insolvency Act enabled the liquidator to divide the company’s assets in a tax efficient manner whilst providing for liabilities of the company to be paid.	Equitable split of the £24m investment property portfolio free of capital gains liability. The three stakeholders able to run their respective portfolios as they see fit.
Tax charge – following the sale of a hotel our client (property and management business) wished to liquidate a legacy structure whilst preserving off-shore tax residency. However it became clear that actions taken in London plus the resignation of a key director prior to liquidation potentially changed the tax domicile which could have created a tax charge of circa £4m.	The problem was identified promptly and specialist support brought in from RS Tax. We were able to demonstrate to HMRC through voluntary disclosure that no tax charge should be made whilst at the same time ensuring our client was clear on steps to ensure tax residency remained as required.	Prompt action by experienced team members ensured potential £4m tax charge was avoided

Corporate Simplification

Client Issue	Deloitte Solution	Benefit
Chief Restructuring/Operating Officer (International) – A distressed international consulting group was acquired during 2013. The acquirer wished to reorganise the group post acquisition, in order to consolidate the businesses into its existing operating units and collapse unprofitable parts of the group via a consensual process.	Our team performed the Chief Restructuring / Operating Officer role for a client immediately post acquisition, we helped the client to: (i) Transfer the acquired businesses to its own global operating units. (ii) Eliminate the unprofitable companies, in Europe, Asia and Africa. This included advising the client how to minimise acquired contingent liabilities, achieve cost savings and realising additional previously unknown assets. (iii) Worked collaboratively with global tax specialists to repair insolvent balance sheets to implement solvent winding up solutions.	16 separate business transfers across Europe, Asia, South America and Africa. 15 unprofitable and insolvent companies across Europe, Asia and Africa restructured, rendered solvent and wound up via consensual / voluntary processes. Implementation of a single insolvent process in Asia – significant savings of millions of pounds with no adverse publicity.
Illegal dividends - a major plc reviewed its own corporate simplification project and realised it had illegally paid distributions to subsidiaries due to insufficient reserves. This had a serious impact on the main reporting company whose results were to be released imminently.	By placing all companies immediately into liquidation the position could be rectified. This is because once a claim period has expired any distribution paid from liquidation effectively confirm that any previous dividends are deemed correct as no claims arose in the liquidation that could otherwise challenge those distributions .	No need to restate results or make announcement of error.
DB pension scheme with significant deficit – our client, a Dutch banking group wished to wind-down “perceived” dormant entities as it wanted to move locked in capital around the group.	At the pre elimination phase we advised the bank that they would trigger a sec 75 debt if they liquidated one of the companies.	Our early involvement saved an immediate balance sheet hit of £250m thereby buying the client vital time to restructure and review the group’s overall pension liabilities.

Corporate Simplification

Client Issue	Deloitte Solution	Benefit
Mitigating stamp duty costs –our client wished to distribute a property of significant value amongst two shareholders.	By distributing the property in specie (a tax exempt transaction) to one of the shareholders in proportion to their value of shares stamp duty was avoided. As liquidators we valued the property at market rates, to ensure a fair value, and the other shareholder elected to receive cash.	This transaction demonstrates the liquidator's powers to flex the distribution pot (once all liabilities settled) and save costs to the estate.
Rogue director –One of the two executive directors was discovered to have set up business on his own account immediately after our client company was placed into liquidation, carrying on identical trading with the same customers. Given that he had recommended to the board that the company should cease to trade as there was no future in the company's business, this came as a surprise to the other directors and the original investors	Using unique powers afforded to a liquidator under the Insolvency Act we were able to establish concrete evidence that the director had effectively "stolen" the business. Amongst other evidence, by imaging the director's computer which he thought was wiped clean we revealed an incriminating trail of emails	Judgement was obtained following a contested trial and our client obtained settlement of £750,000

Corporate Simplification

Corporate Simplification
London contacts

Our experience

We are a dedicated specialist corporate simplification team working across all sectors and alongside our Tax, Consulting and Audit colleagues.

We assist clients align their legal and operational structures and have an unrivalled international network of specialists that can help with projects across the globe.

We also help clients exit non-core businesses or sites where a solvent managed exit is the optimal solution and/or where the client wishes to repatriate cash.

We offer a holistic approach which can be tailored to meet the differing needs of our clients. A sample of our recent clients include: Barclays, HSBC, Kraft/Cadbury, Standard Chartered, Cameron, John Lewis, RSA, LOCOG and AIG.

In the last 12 months we have distributed over £1 billion to our clients.

Stephen Browne
Partner
020 7007 8926
07710 378740
stebrowne@deloitte.co.uk

Chris Day
Director
020 7007 2548
07768 711508
chrisday@deloitte.co.uk

Ian Dean
Director
020 7007 2453
07795 505978
idean@deloitte.co.uk

Yvonne Butler
Director
020 7007 2550
07899 066186
ybutler@deloitte.co.uk

Chris Holmes
Assistant Director
020 7303 4301
07747 460782
cholmes@deloitte.co.uk

Neil Withington
Manager
020 7303 6563
07500 883137
nwithington@deloitte.co.uk

Clare Willmett
Manager
020 7007 0312
07921 337517
cwillmett@deloitte.co.uk

Mark Stanley
Manager
020 7303 4545
mstanley@deloitte.co.uk

Duncan Perring
Manager
020 7007 6587
dperring@deloitte.co.uk