MADE IN BRITAIN

Evan Davis on what we make and why it matters.

WINTER 2011-12
— Telecity invest in organic growth
— Euro Garages show why success is relative
— Towergate outline their acquisitive agenda
The challenge is clear. Will the decisions we all make today help businesses to deliver growth tomorrow? I am confident we have the ambition to rise to the challenge.

Times are tough. But, as this issue of Long View demonstrates, many UK businesses are tougher. And in the current climate, their successes have never been more significant. They are the UK’s business heroes, and the following pages abound with their stories. Despite external economic headwinds, these enterprises remain focused on growth, on gaining new customers, on reaching new markets and on making their finances work harder.

The UK needs firms like International Plywood [p11] that are fleet of foot. It needs ambitious, acquisitive strategists like Aesica Pharmaceuticals [p31] and Towergate Insurance [p35]. And it needs companies that can power through rough waters, as Mark Poole, CFO of the Virgin Group [p24], demonstrates with his seven steps from recession into recovery.

Without doubt, the scale of the challenge we face demands a vigorous response. Recovery is about confidence. After all, as Evan Davis [p8] confirms, reports of the demise of British industry have been greatly exaggerated.

As always, the long view remains crucial. We need businesses to be brave enough to pursue new markets; courageous enough to invest in a secure future in a climate of economic uncertainty; and strong enough to show that when the world is at its most challenging, we are at our most determined.

The challenge is clear. Will the decisions we all make today help your business to deliver growth tomorrow? I am confident we have the ambition to rise to the challenge.

I hope this issue of Long View spurs your growth agenda.
SPECIAL REPORT
THE GROWTH AGENDA

In a turbulent and challenging economy, we look at what it takes to achieve growth:

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Colin Hemsley discusses Lloyds Bank’s enhanced trade finance offering. We also look at how SEPA Direct Debit has changed cross-border payments - for the better - and at how the Government’s Export Credits Guarantee Department (ECGD) aims to optimise the role of exports in the UK’s economic recovery.

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26__ UNDERSTANDING BUSINESS
Euro Garages is one of the UK’s fastest growing privately-owned companies - Mohsin and Zuber Issa give us an insight into the success of their family business, and Kamel Hothi discusses the unique culture and dynamics of the Asian business community.

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As Aesica Pharmaceuticals and Towergate Insurance outline their acquisitive agendas for growth, Mark Bolshaw sees similar growth opportunities for ambitious, strongly managed businesses. Elsewhere, we report on how UK businesses are diversifying their sources of funding.

38__ SECTOR REPORT
Telecity’s Brad Petzer recalls breaking important ground for growth with an ambitious £200m syndicated growth fund. Antony Walker, Director of Strategy at Intellect, reports on how the better use of technology across all sectors can generate real growth.

44__ CASH FLOW MANAGEMENT
As more and more businesses are turning to asset based finance as an alternative funding strategy for growth, Martin Cooper explains the benefits.

46__ PERFORMANCE
In a crowded marketplace, performance can be a key differentiator. And, as David Webb points out, there are several business imperatives driving today’s demand.
Photovoltaics – which generates electrical power by converting solar radiation – is now one of the fastest growing industries in the world. Global production more than doubled in 2010, reaching a volume of 23.5GW of photovoltaic modules. This represents more than 500-fold growth since 1990.

SOURCE: European Commission Joint Research Centre

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**SMARTER, FASTER**

Smartphone addicts might not be surprised to learn that global mobile data traffic in 2010 was more than three times the total global internet traffic in 2000. According to the Cisco® VNI Global Mobile Data Traffic Forecast Update, in 2015 mobile-connected tablets will generate as much traffic as the entire global mobile network in 2010.

The pace of change is rapid. Smartphone usage doubled in 2010, laptop traffic increased significantly, and by 2015 it is predicted that there will be 788m mobile-only internet users around the world. The average smartphone will generate 1.3 GB of traffic per month - 16 times more than the current average – at speeds reaching 4.4 Mbps.

SOURCE: The Cisco® VNI Global Mobile Data Traffic Forecast Update

**GREAT for business**

With global media attention focused on the UK for the London 2012 Olympic and Paralympic Games, the Department for Culture, Media and Sport has launched a new campaign to optimise the economic legacy.

The GREAT campaign will promote the UK abroad, highlighting its merits as a place to visit and do business. The goal is to generate a business boost in excess of £1bn, and attract 4m extra visitors.

A Global Investment Conference has also been announced, at which Government Ministers will meet with 200 global business leaders to discuss opportunities for growth and investment.

SOURCE: Department for Culture, Media and Sport
The digital commerce market provides employment for over 730,000 people in the UK.

- **Internet household penetration:** 73% (2010)
- **Broadband household penetration:** 70% (2010)
- **Top 10 e-retailers by visits:**
  1. Amazon UK
  2. Apple
  3. Argos
  4. Tesco
  5. Next
  6. Your M&S
  7. Play.com
  8. Amazon.com
  9. John Lewis
  10. Tesco Direct

- **Global e-retail sales increased by almost 25% to €591bn in 2010**

- **The UK’s per capita spend of €1,333 per annum is the highest in the world**

- **£1,870 Online spend per shopper / annum (2010)**

- **£58.8bn Online sales (2010)**

- **18% The rate UK e-retail market is currently growing at per annum**

MANUFACTURING GETS £140M BOOST
The first Technology and Innovation Centre in High Value Manufacturing (HVM) was launched in October as part of a Government strategy to fuel economic growth. Tasked with commercialising business-led research and innovation, the centre will be fuelled by £140m investment over six years. This facility is the first of several technology and innovation centres to be established by April 2013.

**Source:** The Technology Strategy Board
Describing it as a “lifeline for his business”, Himesh Shah, Financial Director at HiB (Home Improvement Bureau) is highly impressed with Arena, Lloyds Bank’s recently launched online trading platform.

“If I summarised Arena in one word, it would be ‘protection’,” he says. “Protection in terms of being able to carry out transactions very quickly, to lock in rates, and to mitigate foreign exchange risks.”

HiB, a Hertfordshire-based manufacturer and distributor of high-quality bathroom products, prides itself on introducing stylish and inventive products to niche markets and is successfully developing an increasingly diverse customer base in the UK and overseas. Arena, as an innovative, customer-focused solution, resonates with the HiB ethos.

An enhanced e-solution, Arena provides a choice of fully customisable foreign exchange and money market deposit trading modules. Users can trade spot, forward, swaps and time options in over 50 major, minor and emerging market currencies.

Money market deposits trading, with a choice of some 19 currencies, various tenors and settlement options, offers flexibility and helps to maximise the return on cash reserves. A combination of real time streaming of rate movements and historical data also provides a clear picture of exchange rate volatility. And it’s easy to use: if you decide the time is right to act, you can trade with a single click.

Arena also provides access to market intelligence from Trevor Williams, Lloyds Bank’s Chief Economist, along with news and market data from respected third party sources. “As an FD, access to that calibre of insight is invaluable,” says Himesh.

“The other highlights are the ability to chart currencies, the live feeds, the ease of use, and the customisation,” says Himesh. “The live feeds give it the edge over normal systems, but the individual user customisation brings it to a completely different level.

“I can pick and choose exactly the information I want. It’s first class.”

To find out more about Arena visit www.lloydsbankarena.com
### Controlled cash solutions

Assets under management in money market funds grew by 5.6% in 2010 and in 2011 the industry is continuing its growth trend'. SWIP is at the vanguard of this expansion, boasting one of the largest AAA-rated sterling liquidity funds on the market.

We understand that our clients seek stability of capital and same-day liquidity, whilst receiving a competitive return. We have managed to deliver this despite the ongoing sovereign debt crisis and subsequent market upheaval. This is something we will aim to continue in the months and years to come.

The advantages of investing in SWIP’s liquidity funds are numerous:

- We have a highly experienced team; our lead cash fund managers have an average of 18 years experience. They are backed by a team of researchers and credit specialists, who provide in-depth information and analysis unavailable to most in-house treasury departments.
- Our funds have been independently AAA-rated by Moody’s, Fitch and Standard & Poor’s. They are run under strict guidelines, so we only deal with higher-rated counterparties and look only to buy the best-quality names.
- We also invest across a wide variety of money market instruments, minimising risk.
- Our funds are extremely liquid. Investors have same-day access to their money.
- The transparent nature of our processes means we maintain open communication about market conditions and possible effect on our clients’ investments. In times of uncertainty, the benefits of this dialogue are obvious.
- Investing with a large company like SWIP brings economies of scale. We have access to a variety of counterparties and assets that may not be available to the single investor acting alone. The size of our funds means we can selectively invest in longer-dated assets that enhance yield without compromising liquidity.

*SOURCE: IMMFA & iMoneyNet

### SALARY SACRIFICE FUELS DEMAND FOR COMPANY CARS

Salary sacrifice could provide an attractive means of improving retention, recruitment and morale while minimising wage price inflation, according to a recent survey.

A poll conducted by Lex Autolease, the UK’s leading fleet management and funding specialist, revealed that seven out of 10 drivers perceive company cars to be a status symbol, and 63% believe such benefits should be open to all employees. Eight out of 10 non-company car drivers said they would opt into a salary sacrifice scheme if their firm offered one.†

“Firms may be inclined to withdraw or cap benefits during difficult economic periods, but salary sacrifice is a cost-effective way to do the very opposite,” explains Andrew Hogsden, Head of Financial Consultancy at Lex Autolease. “It’s a superb tax-saving device, which helps avoid wage price inflation. Firms can pass on the benefits of their buying power to employees and both parties share in the National Insurance savings. Given that NIC rates were upped in April, it’s now an even more attractive proposition.”

Salary sacrifice – a voluntary scheme where a reduction in salary is exchanged for a non-cash benefit – is relatively new to company cars, though similar schemes have been successfully applied to pensions and childcare benefits.

“It provides an opportunity to outsource duty of care issues for the ‘grey fleet’ – employees using their own car for business mileage – while the financial savings and corporate social responsibility potential are also powerful motivators”, adds Andrew.

“Forward-thinking businesses acknowledge that the employment market will become much more competitive. In this environment, salary sacrifice really comes into its own as a means to build more choice and flexibility into the employee benefits package.”

Lex Autolease’s Salary Sacrifice product is available to all large corporate businesses with an existing fleet of more than 500 vehicles or an employee base above 1,000. The scheme can be extended to employees’ friends and family.

For more information visit www.lexautolease.co.uk/salariesacrifice

† In a poll of 130 non-company car ‘grey fleet’ drivers

*SOURCE: Office for National Statistics

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### 65,000,000

The UK population is on target to exceed 65m by 2018, with a projected increase of 4.3m. The proportion of people aged 65 and over is expected to increase from 16% in 2008 to 23% by 2033.

*SOURCE: Office for National Statistics*
Some say Britain’s economy is “flashy on the outside, but empty within”. In search of deeper truths for his Made in Britain book and TV series, EVAN DAVIS wonders why we’re so timid about our world-class performers.

MADE IN BRITAIN IS FOR ANYONE INTERESTED IN BRITAIN’S ECONOMY, AND HOW OUR NATION EARN ITS LIVING. Its goal is to look beyond the difficult years facing us now to assess how effective we are at producing and selling things.

The starting point for the book was a trip to China’s 2010 Shanghai Expo: 400,000 visitors a day queuing to get a glimpse of 187 national pavilions. Two observations struck me: first, there’s a lot of world out there and Britain doesn’t appear terribly important to anybody else. And second, we appear to have a rather weaker sense of our national economic identity than similar nations.

The French and Italian pavilions were huge and packed with national symbols, many commercial – for Italy, a Ducati motorbike, a massive designer shoe, a ceramics display; France had a wine section, Louis Vuitton bags and a Michelin exhibit.

The British pavilion had nothing Made in Britain about it. Our modestly-sized offering was less about product and more about art. It really did shine out as one of the most visually striking and original sites. But there was nothing inside except a structure of 60,000 acrylic needles, each containing seeds from Kew Gardens’ Millennium Seed Bank in West Sussex.

There was an obvious sensitivity that our pavilion was a clever yet insubstantial symbol of Britain’s economy: flashy on the outside, its critics would say, but empty within. What on earth would we have put inside a more commercial pavilion, had we chosen to build one like the French and Italians?

Well, the answer is that despite the fact that we have only 1% of the world’s population, and 5% of the developed world’s population, we do have a number of world-class industries and firms. We might have
“There’s a lot of world out there, but we appear to have a rather weaker sense of our national economic identity than similar nations.”
chosen pharmaceuticals (Britain has two of the 10 largest pharmaceutical companies in the world); we could have put up an exhibit on our defence and aerospace industries (we are large players in both, with a 9% share of the global market in defence and about 17% of aerospace). We could have had a large display on BP, Shell and North Sea oil and gas extraction. And then, of course, we could also have had a large stand dedicated to our world-renowned banking and insurance industries. They may not be visually very impressive but, love them or hate them, they remain two of our big earners.

Finally, we might have tried to dazzle the crowd with some of our cars. I say our cars, but our most impressive mass-produced vehicles are perhaps the Japanese models we manufacture and export so well, like the Honda Civic (made in Swindon) and the Nissan Juke and Qashqai, which are made in Sunderland.

We can match the world’s best but, for many reasons, the average Briton is probably barely aware that these industries could showcase the country abroad.

While filming and writing Made in Britain, I’ve been lucky to see and experience some of the most interesting products the British are involved in making.

My own view is that we have many reasons to congratulate ourselves for our economic achievements, but we have few reasons to be arrogant.

“We can match the world’s best, but the average Briton is probably barely aware of the industries that could showcase the country abroad.”
It’s no mean feat being Britain’s fastest growing company during a recession. But that’s the accolade won by the Gloucester-based family firm, International Plywood. What’s its secret?

AVERAGE GROWTH RATES OF 391% OVER THE PAST FOUR YEARS; sales set to push £100m; pre-tax profits up to £3m: these are not the numbers we’re used to seeing shining through the gathering gloom of the past few years. But they’re the figures posted by Gloucester-based timber firm International Plywood.

They validate the accolade of Britain’s Hottest Company*, a performance that reflects the determinedly positive attitude and hungry appetite for growth that’s been the hallmark of the Attwood father and sons in their stewardship of their 30-year-old enterprise. They’ve guided the company through an almost seven-fold increase in turnover from £14m in 1998 based on high-quality product and service.

Launched by carpenter David Attwood in 1981, International Plywood is now largely run by his sons, Ian and Robert. Many of their staff have been with the business since its launch, and their three decades of experience of the market and understanding of customer needs are clearly pivotal to the success of the business.

They’ve always been innovators, ready to take risks and challenge the established players. "We effectively by-passed the established plywood supply chain which was heavily controlled and monopolised by the sector’s ‘big six’ players,” explains Managing Director, Ian Attwood. “We were also the first to source the majority of stock from China. By innovating, we honed our competitive edge - both in pricing and sustainability. “We’ve also always focused on logistics. Our shipping and distribution is ultra-efficient and that way we’ve sustained margins well in excess of industry norms.”

They’re first to admit the past few years have been tough: volumes dropped by 20% during the early part of the downturn. But once again they’ve responded with a characteristic sleeves-up attitude. “We used the recession as a positive,” says Ian. “We took the opportunity to look even more closely at our operations. As well as carefully reducing overheads, we examined what we needed to grow. In effect, we spring-cleaned.”

That ‘spring clean’ included a fresh look at finance. Having previously worked with two separate financial institutions to manage its trade finance and invoice discounting needs, International Plywood now wanted a one-stop service to streamline its facilities.

“The tipping point for us,” Ian recalls, “was when we realised that one of our previous trade finance partners didn’t share our appetite for growth. We decided it was time to re-examine the whole financial side of the business. We considered several options, and Lloyds Bank’s firm grasp of our business enabled them to offer a great all-round package.”

The £37m deal comprised trade finance and asset-based lending, as well as the provision of working capital designed to support International Plywood’s ambitious goal of generating £100m turnover within 12-18 months. “We created a bespoke import facility to finance the stock coming into the UK,” explains Simon Robinson, Lloyds Bank’s Regional Trade Director, “and to support International Plywood’s overall growth strategy.”

The facility hinges on a complex and very finely-balanced transactional timeline, he says: “It’s critical to understand the trade cycle of the business and the turnover of goods and levels of stock – that can only come through the deep and detailed sharing of information that’s implicit in our relationship.”

That close relationship is vital, Ian agrees: “The Bank’s solution gives us the flexibility to react quickly to market opportunities. It’s an arrangement that frees up the business to trade and to pursue our growth plans. We know the market’s going to remain tough and competitive, but having a bank that knows our business this well gives us that extra confidence about our own prospects.”

* International Plywood topped the Real Business Hot 100 List of the UK’s fastest-growth companies in 2010.
GIVEN THE UNRELENTING STREAM OF NEGATIVE DOMESTIC ECONOMIC NEWS AND THE CRISIS OF CONFIDENCE IN EUROPE, IT IS REASONABLE TO ASK WHERE UK GROWTH IS GOING TO COME FROM IN THE COMING YEARS. Unfortunately, at first blush, this is not easy to answer: the consumer sector is in recession, businesses are reluctant to spend and the public sector is in the early stages of austerity. On top of this, the prospect of recession in the Euro area appears to have put paid to any meaningful rebalancing, as over 50% of the UK’s exports are bought by our European partners.

For now, the political paralysis in Europe leaves the outlook extremely uncertain at a time when it is ‘touch and go’ whether the UK undergoes a renewed downturn. Based on our own business and consumer confidence surveys at Lloyds Bank, the next three to six months are likely to see very little growth at all. But if, and it is a big if, EU politicians can manage to stem the crisis of confidence, recession should be avoided. Given the catastrophic costs of failing to do so, this remains our central call.

Assuming the situation in Europe does stabilise, economic conditions should start to improve in the year ahead. We look for UK GDP to expand by around 1% both in 2011 and 2012, rising to around 2.0%-2.5% thereafter. So while the downside risks are high, there are still reasons to be cautiously optimistic.

**SIGNS OF STABILITY**

First and foremost, we suspect the consumer sector is now over the worst. Over the past year consumer expenditure has fallen as households have sought to repay debt and rebuild savings in an environment of declining real incomes. But real incomes should stabilise in 2012 as some of the temporary influences that have lifted inflation over the past twelve months - such as the 2.5% rise in VAT and the spike in energy prices - fade.

By the end of 2012, consumer price inflation is likely to be back towards 2%.

Over time, business investment and exports should also recover. Businesses are sitting on record surpluses that, given the weakness of productivity, they will have an incentive to invest once the uncertainty starts to clear. Moreover, the fall in the UK exchange rate and the continued expansion of the major developing economies still leave scope for an improvement in UK exports, notwithstanding developments in Europe. Indeed, over the past year UK goods exports to China and India have grown by 21% and 36%, respectively, albeit from a relatively low base.

Still, this is not to underestimate the headwinds. The ongoing process of balance sheet repair in both the public and household sectors needs to run its course. Unless the economy takes a severe turn for the worse, it is essential that the Government continues with its fiscal austerity programme. Doing so should support economic confidence over the medium term and help to keep short and long-term interest rates low.

With the limits of conventional monetary policy exhausted, the onus remains on the Bank of England (BoE) to promote growth through further unconventional policy stimulus.

**WHERE WILL GROWTH COME FROM?**

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With the limits of conventional monetary policy exhausted, the onus remains on the Bank of England (BoE) to promote growth through further unconventional policy stimulus.

By the end of January, the BoE will have undertaken £275bn of Quantitative Easing (QE) in an attempt to boost asset prices and stimulate spending. We suspect this will be increased by at least another £50bn in 2012. Even with relatively conservative assumptions, the additional QE should raise aggregate demand in 2012 and 2013 by at least 1%. Although a policy tantamount to printing money runs the risk of pushing inflation higher over the medium term, the BoE can address this threat if it emerges. For now the focus, rightly, is on restoring growth.

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ADAM CHESTER, Head of UK Macroeconomics, Lloyds Bank, December 2011
MOTIVATING BUSINESS GROWTH

IT CAN BE DIFFICULT IN TOUGH ECONOMIC TIMES TO THINK ABOUT GROWTH. The here and now is so evident, survival might be the priority. However, good leaders need to balance their current focus with a future focus – spending time in the today but having space to think about the tomorrows.

A growth mindset is the first place to start. Leaders shouldn’t restrict their people’s thoughts of the future, but validate them. Encourage them to think of the future more often, and think about it creatively. What would they like the business to look like in 10 years’ time? What needs to change to make that happen?

If leaders have to make cost cuts in the short-term, how will these affect the long-term growth plans? In this climate we’ve seen organisations cut the learning and development budget, but who’s going to get your company out of these tough times if not your employees? If anything, this is the investment area.

Having a growth mindset is one thing, but the next step is modelling key growth behaviours. Communication, both verbal and non-verbal, needs to come from senior management teams so that growth is taken seriously. Language such as “nose to the grindstone” and “batten down the hatches” contradicts the growth message. Put both people resource and time resource against growth to demonstrate that you are taking it seriously and to create an action and output orientation.

Business growth requires targets and goals. Set the organisation goals around innovation, recruitment and innovative product development, rather than just financial targets. Your people aren’t all motivated by numbers. They want to know the story behind it all. Make sure your internal communications tells the story of why you want to grow, what it will mean to both stakeholders and employees.

The story needs to connect to them in a meaningful way – explaining what your company is doing and giving your people a sense of purpose, aligning personal values to that of the organisation.

Performing day-to-day at a high level whilst also planning and preparing for growth inevitably results in pressure. Leaders need to have conversations about resilience – both organisational and personal. How can our company evolve and grow to make sure we stay resilient? How can we encourage personal resilience to ensure our people are set up to cope well with pressure?

To help deal with this constant pressure, it’s important to keep things in perspective and maximise the support you have. It’s important to ‘control the controllables’, realising what is within your control and what you have no influence over, so you can focus on the things you can control and not waste energy on the things you can’t.

ADRIAN MOORHOUSE, Managing Director of Lane4 – a leading performance development consultancy. For more information about Lane4 please visit www.lane4performance.com

TOP TIPS TO MOTIVATE BUSINESS GROWTH:

1. Dedicate time to thinking about the future and innovation.
2. Model the key growth behaviours in your leadership.
3. Engage your people with the story behind the growth agenda - it’s not just growth for growth’s sake, explain the purpose with a narrative that holds meaning.
“WE’RE AHEAD OF TARGET,” DECLARES MARK STOKES. “At the beginning of 2010, we committed ourselves to help 100,000 businesses start up each year. And in less than two years, we’ve already helped 200,000 enterprises on their journey to become the lifeblood of the privately-owned economy.”

These achievements are among the successes of Lloyds Banking Group’s participation in the Business Finance Taskforce, set up by the sector’s trade body, the British Bankers’ Association (BBA), to help UK firms access the finance they need for growth.

Included in the action agenda devised by the BBA’s Business Finance Taskforce are six key measures important to businesses of all sizes:

- **STANDARDS:** Set out the clear minimum standards mid-sized and larger businesses can expect when asking banks for loans and other services.

- **APPEALS:** Establish transparent and independent appeals processes for when loan applications are declined.

- **ANTICIPATION:** Initiate re-financing dialogue 12 months ahead of any term loan coming to an end.

- **GROWTH:** Invest over a number of years in a new Business Growth Fund to bridge a market gap with growth capital for viable businesses.

- **SYNDICATIONS:** Help mid-sized businesses access syndicated debt markets through awareness raising, staff training and more active engagement.

- **LENDING:** Help improve credit supply to the wider economy, working with the authorities to ensure wholesale markets can support lending for recovery.
With Lloyds Bank, the Taskforce includes CEOs and senior representatives of Barclays, HSBC, RBS, Santander and Standard Chartered. Aimed principally at smaller businesses, the Taskforce commitment is to improve bank relationships, increase access to finance and enhance transparency across the corporate world.

“By being engaged locally and telling some of the good news stories, we’re helping to create much-needed balance to what’s sometimes seen as rather negative media commentary, and so boost confidence. Local media can be very helpful in promoting enterprise in their area and drawing people’s attention to what are often very striking success stories.

“So, while there’s a lot still to be done, I think there’s a growing recognition of the funding opportunities that are available.”

Lloyds Banking Group has also been heavily involved in the Business Growth Fund. This provides equity finance to SMEs that may be slightly too large for business angel finance, but too small to interest venture capital companies.

“It’s been established with over £2.5bn of funding from Lloyds Bank, HSBC, Barclays and RBS,” Mark explains, “and the second of its first two investments is one of our customers, Statesman Travel.

“Our Relationship Director identified Statesman as a great growth business that needed equity investment as well as debt finance. The business is delighted – they’ve got £4m-5m extra funding to help them undertake a merger and pursue growth plans.”

“Committed to Growth”

Each year, Lloyds Bank works with Profit Track 100 to celebrate leading UK private enterprises with sustained high profit and growth. It’s just one example of how the Bank is spurring business to strengthen the UK economy.

“It’s one of the toughest clubs to join,” says Mark Stokes. “These are the ambitious, fast-growing firms that will form the backbone of Britain’s economic revival.”

He’s describing the Profit Track 100, now in its 12th year, as perhaps the definitive measure of business growth in the UK. Backed by Lloyds Bank in partnership with PwC and UBS, it’s produced by the Oxford-based research company Fast Track (see page 16).

Every year, Profit Track measures the pivotal role leading businesses play as creators of wealth, jobs, innovation and expertise – a valuable barometer of how companies are rising to the challenges of the recovery.

“In today’s turbulent marketplace,” Mark explains, “I have little doubt that the characteristics which ambitious businesses value most in themselves – and their banks – are agility and acumen.”

MARK STOKES, Managing Director, Mid Markets, Lloyds Bank

“There’s a growing recognition of the funding opportunities that are available.”

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“The characteristics which ambitious businesses value most in themselves – and their banks – are agility and acumen.”

MARK STOKES, Managing Director, Mid Markets, Lloyds Bank

PHOTOGRAPHY: Paul Stuart
THE ANALYST
HAMISH STEVENSON

“PEOPLE LOVE WATCHING EXCELLENCE – IT ATTRACTS EVERYBODY.”

In 15 years, HAMISH STEVENSON has built Fast Track into the UK’s leading networking events company - the country’s entrepreneurial Olympiad. Here he gives Long View the inside track on its success in measuring business success.
when people ask hamish stevenson what he does for a job, he tells them: “i run the olympic games for private companies.”
so it seems fitting that the founder and ceo of fast track, effectively the uk’s entrepreneurial olympiad, should now also be an ambassador to team 2012, whipping up support from entrepreneurs for british athletes on their journey to the london 2012 olympics.

ironically, stevenson’s “lightning moment” came at perhaps his lowest ebb. having lost control of his business, he recalls watching the 1996 games. “i thought: why the hell am i sitting here at two o’clock in the morning watching these gymnasts? and then it came to me. people love watching excellence – it attracts everybody. and i thought, i need to create a league table to find the top-performing private companies in the uk.”

to make his olympic vision a reality, stevenson knew he needed credibility and financial backing. “i’m mr nobody. richard branson was the only entrepreneur i’d heard of, and i knew i needed a clever way to get him involved.”

returning to his alma mater, oxford university, 15 years ago, stevenson set about convincing the dons of the dreaming spires to create a fellowship in entrepreneurship. it was tough persuading the university that the concept had academic legs, and then getting branson to back the idea and fund it.

but the cards fell in stevenson’s favour. he was appointed a research fellow, and fast track was launched. “i was very persistent. i hounded and hounded richard. i sat on his doorstep. that’s what you need in business: confidence, persistence and luck. and i was very lucky. we had a one-hour meeting, shook hands and the next week he went off on his round-the-world balloon trip. i had nothing in writing and i thought: i hope he doesn’t go and kill himself and i’m not going to get my money! but he didn’t and richard’s been fantastically supportive.”

taking the olympic model, stevenson set out to measure business performance and reward it. initially based on the most obvious and available data, fast track launched with the fastest growing sales, rapidly followed by the profit track 100 when he recognised that profits were a better indicator of success. then came the tech track 100, when the technology bubble emerged.

“then i realised there were some very good, sensible businesses that weren’t necessarily doubling their sales or profits every year – the dysons, the jcb’s, the virgins,” he recalls. “so we launched the top track 100, the uk’s largest private companies, when i realised it wasn’t just about growth, it was also about performance.”

the top track 100 led to the top track 250, encompassing the mid market, with the companies all sharing one characteristic – they’re privately owned or private equity backed. since then, fast track has taken on its own momentum, now producing seven league tables every year, hosting 36 dinners with the sunday times and sponsorship from the likes of lloyds bank. “the bank has been very supportive,” agrees stevenson. “they’ve sponsored our profit track 100 for the past nine years, recognising that these companies are the real wealth and job creators in the uk. for the past five years, they’ve also sponsored our buyout track 100.”

“without being too arrogant and overstated,” says stevenson, “i’d like to think that fast track has helped to encourage growth. we’ve created role models. when i started out, i stood on a corner and asked people to name entrepreneurs. fifteen years ago, the only two entrepreneurs people could name were richard branson and anita roddick. that was it.”

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HAMISH STEVENSON’S BEST BUSINESS ADVICE

SEE BARRIERS AS OPPORTUNITIES: “On the day we launched Fast Track, Richard Branson gave me three bits of advice. First, he said, people will always throw up barriers and your success will depend on how you overcome them. So, rather than see a barrier as a threat, treat it as an opportunity. That was really good advice.

EMPLOY SOMEONE TO DO YOUR JOB: Second, he said to keep employing somebody to do your job, and you’ll always find something else to do. I didn’t understand, or wasn’t clever enough, to take that advice. But I think it’s brilliant, and I’m only now trying to follow it.

TAKE THREE MONTHS OFF: Third, he advised me to take three months off a year. He used to go to his island for three months. He said: ‘You’ll re-charge your batteries and, as importantly, the company will learn to operate without you.’ That’s such good advice. But, again, I wasn’t clever enough to take it.”

Richard Branson’s three pieces of advice inspired Hamish Stevenson’s.

Hamish Stevenson

Hamish Stevenson’s Best Business Advice

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Richard Reed of Innocent, Nick Jenkins of Moonpig and Chrissie Rucker of The White Company – all aspirational figures and role models for tomorrow’s entrepreneurs.

Stevenson reckons he must have sat down for dinner with 9,000 entrepreneurs over the last 15 years. And it’s the sheer quality of the people, he thinks, that’s the most common characteristic of our fast growth enterprises. “It’s very difficult to distil into a ‘growth DNA’, but I think sheer relentless persistence and energy with a smart idea – and the right wind – count for a lot.”

The most recent league table is International Track 100. It chimes with the current sentiment of public policy-makers and economic theorists that the path to economic recovery and sustainable growth lies in the export market and international trade.

“These businesses are the future because there’s not much growth left in the UK,” argues Stevenson. “As an overall vision, looking overseas is the way forward. But, if you analyse their strategies, about half made a deliberate choice to go international almost from day one, while the other half were quite opportunistic, perhaps following a key customer. I don’t think there’s one growth strategy that fits all.”

He also senses a much greater focus on sustainable growth, accompanied by a belief that we’re unlikely to see the exceptional expansion that characterised earlier periods.

Interestingly, he also disputes the notion that entrepreneurialism and risk are interchangeable terms. “These people might look like risk takers, but they’re actually, on the whole, quite good at managing the downside,” he says. “It’s not necessarily about measuring the risk, but having an intuitive feel of how to manage it and for how the current economic environment impacts.

“There are lots of companies showing significant growth, capitalising on today’s sustainable energy trend, or looking at international markets, or at specialist manufacturing. In the current economic environment, customers are either going for real value or for premium brands. It’s the middle ground that smart entrepreneurs are avoiding.”

This father of four likes to refer to Fast Track as his “fifth child”, and he clearly delights in meeting entrepreneurs and tracking their success. “There are 1,500 privately owned or private equity backed companies in the UK making profits of more than £3m. They are the real job and wealth creators and the vast majority of them are in our league tables. It’s a fantastic resource.”

It’s also what makes him perpetually enthusiastic about tomorrow. “We need to make sure that we’re monitoring, tracking and connecting these entrepreneurs in the UK’s top private companies. I’d like to run a Davos-type summit once a year in the UK, so that we can really champion and learn from these top companies.

“And perhaps politicians could listen to them and learn what policies they need to create to help the top performers perform even better and to help those not in the Fast Track league to get into it. To achieve that, I need talented people, who believe in that vision, to join me to take Fast Track to the next level and to create a business environment that breeds sustainable growth.”

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Trade plays a crucial role in the growth agenda. Colin Hemsley, Head of Trade, explains how Lloyds Bank is supporting the aspirations of UK businesses.
Lloyds Bank has a long history in supporting our clients in the pursuit of lucrative opportunities in the international marketplace.

International trade is considered highly strategic and of fundamental importance to the recovery of the global economy, and to the long-term health and prosperity of the UK. Trade finance has been brought into sharp focus at the highest levels of business, government and international institutions – an unprecedented level of profile which is motivating direct and substantive support for importers and exporters in the form of various financing, risk mitigation and related solutions.

Trade is the primary driver of global economic recovery, and the British Government perceives that SMEs in particular will contribute greatly, especially if they engage successfully in international markets.

At Lloyds Bank, we are taking decisive action and making significant investment to strengthen our proposition in trade and supply chain finance. Our recent recognition as Best Domestic Trade Finance provider in the Euromoney Trade Finance Survey 2012 is merely the beginning!

“Trade is the primary driver of global economic recovery.”

Our perspective on trade and trade-led growth is optimistic despite the difficult conditions in the eurozone, where 65% of UK trade takes place, and the ongoing challenges in the US, which is still the world’s leading consumer economy. Ongoing liquidity challenges mean the ability of exporters to provide attractive financing to buyers is once again a real competitive advantage. At the same time, finance executives are taking a much more strategic view of liquidity and working capital management – domestically, but especially in international dealings, where cash conversion cycles are appreciably longer, and commercial risk and complexity present a real challenge.

ENHANCED CAPABILITY

The trade team at Lloyds Bank are working to enhance our capabilities in all aspects of this business, from subject matter expertise to enhanced delivery capabilities, improved service orientation and a suite of enabling technology solutions, business processes, and trade and supply chain solutions. Trade specialists are working to better champion and promote the value of trade finance across the Bank, so that our Relationship Managers and others interacting with clients can better recognise opportunities to support their trade aspirations. Our aim is to be our clients’ preferred and trusted advisor in trade and supply chain finance, and we are taking all necessary measures to maximise our ability to support their international trade activities.

Additionally, we will work increasingly closely with selected partners and members of the UK trade value chain, to ensure we are present, visible and active in areas of greatest importance and interest to our clients. This may involve extending our capacity and capabilities in a particular international market, including current ‘hot markets’ such as China, India and Brazil, as well as looking to extend our capacity in other emerging market countries to meet our customers’ requirements. We are also taking a close look at certain sectors, such as commodity trade, where Lloyds Bank is already recognised as a leader in the UK, and others, such as manufacturing and environmental technology, where we perceive great interest among UK entrepreneurs and business leaders.

We anticipate that trade will continue to be top-of-mind among business and political leaders in 2012, and that competition in the trade banking sector will intensify. Demand for resources and commodities from China and other fast-developing economies will continue to be high, even if there is some tempering of economic growth in those regions, and the evolving dynamic between the US dollar, the euro and the RMB will require careful attention and analysis over the coming year.

The UK will need to diversify trade activity by target market, by sector and by business segment - engaging more SMEs in export-based growth, with support from banks, government agencies and international institutions.
INTERNATIONAL GROWTH | TRADE FINANCE

CHANGING THE LANDSCAPE OF EUROPEAN PAYMENTS

With a presence across Europe and a commitment to ‘The Unipart Way’ - a philosophy that embraces lean tools and techniques - Unipart Group is an ideal candidate for the SEPA Direct Debit scheme and is reaping the benefits of this major opportunity for enhanced efficiency.

Attracted by the efficiency of collecting payments from across Europe into one bank account, the Unipart Group has used SEPA DD to replace the complexity of running different schemes in different countries and has also seen the business benefit from improved cash flow and interest rates.

With the support of Lloyds Bank, the full service logistics provider has embraced SEPA DD as an early adopter, creating opportunities to open DD payments in some jurisdictions where complexity and cost had previously made opening accounts an inefficient option.

SEPA DD is expected to become mandatory across the Eurozone for businesses of all sizes in the next few years and Lloyds Bank has been quick to facilitate the adoption of the scheme. Services such as the Mandate Management Service is enabling clients to create mandates in different languages, highlighting the Bank’s commitment to give a significant advantage for its clients with a European presence.

“We are very excited about the potential benefits of SEPA DD and see it as a great opportunity. It reduces fund collection administration and improves our cash flow and interest rates.”

DAVID PEYTON, Treasury Assistant, Unipart Group

Trade finance has historically been a static business with limited innovation. However, the evolution of trade, shifts in trade flows, and the maturing of technology have combined to drive banks and trade financiers to think in new ways about cross-border business. And more recently, to think about global supply chains as complex organisms built on partnership, where financing can be an important ingredient in the success of buyers and suppliers often separated by large distances, and operating in very different business environments.

These realities are contributing to a clear shift within Lloyds Bank’s Transaction Banking and Trade business – a shift that involves understanding client requirements and devising ‘big picture’ solutions from our customers’ point of view. This cultural change, and its positive impact on client interactions, service delivery and our evolution as a trusted advisor, will become increasingly apparent over the coming months.

Trade and supply chain finance are now highly strategic activities, and this major shift in priority is at the core of an unprecedented effort within Lloyds Bank to ensure we are credibly and firmly positioned to assist UK businesses in successful pursuit of international trade opportunities. We will be working to complement our own capabilities with those of carefully selected partners in the private sector, in Government, among other financial institutions, or with leading international institutions that contribute to the smooth functioning of international trade and trade finance.

“We are very excited about the potential benefits of SEPA DD and see it as a great opportunity. It reduces fund collection administration and improves our cash flow and interest rates.”

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“The evolution of trade, shifts in trade flows, and the maturing of technology have combined to drive banks and trade financiers to think in new ways about cross-border business.”
CURRENCY EXPOSURES

Treasuries can no longer afford to manage currency exposures without considering the impact on the rest of the business. JEREMY ADAM, Director, Client Derivative Structuring, at Lloyds Bank, discusses the importance of a more holistic view of FX risk.

The 2008 financial crisis marked a seismic change in the way companies choose to hedge their Foreign Exchange (FX) risk. What’s striking is how many businesses are now wisely taking a more holistic view of risk and looking well beyond achieving specific FX rates.

Treasurers are now understandably more alert than ever to the wider implications of their currency exposures. They now increasingly want to manage FX risk with a keen eye on how their strategy impacts such key metrics as credit availability, cash flow forecasting, shareholder value generation – in addition to accounting and regulatory issues.

SUPPORTING FX STRATEGIES
When adopting an FX strategy, transparency and simplicity are priorities and that’s why many treasurers prefer straightforward products like forward contracts and futures. In today’s FX market flexibility is another prime concern. Arguably the ‘long view’ is now no more than three to six months.

These uncertainties mean companies are now more focused on achieving known maximum hedge costs, minimum exposure to cash flow volatility and the preservation of optimal liquidity.

But short-termism can create its own exposures. Waiting for potential risks to be resolved before instigating a hedge can leave you facing significantly different market levels on execution.

Moreover, ranging FX rates don’t necessarily indicate stable markets; they can also mean that most are abstaining from market activity until a perceived uncertainty has reduced. One result is that fewer treasurers now see the cost of an option premium as prohibitive: after all, a company that buys an option has also purchased FX risk insurance.

The advisory role of banks here is critical. They should be able to counsel clients not just on the short-term competitive gain of a particular strategy but also on the longer-term implications for the business. This is particularly true of businesses that don’t have the treasury and risk management resources of a FTSE 100 company at their disposal.

To deliver this, banks must understand their clients’ needs. Clients now want accounting,
regulatory, balance sheet and risk solutions expertise presented as a single resource, accessible at any time.

Banks can usually offer a solution for a particular FX risk exposure, but they don’t all provide this holistic facility. Lloyds Bank has always had a good reputation for delivering integrated, seamless support, and today we back that service with state of the art technology.

Our recently launched Arena trading, analysis and reporting platform is at the forefront of our channel enhancements. This innovative e-solution provides treasurers with customised finger-tip access to our FX and money markets expertise. More than a trading platform, Arena also delivers a wealth of insight and research on sectors, currencies and trends from our team of economists.

“Transparency, simplicity and flexibility are the strategic priorities: in today’s FX market, the ‘long view’ is now no more than three to six months.”

We’re also continually investing in our own intellectual capital to make sure we provide our corporate clients with resources they don’t necessarily have in-house - and to add value to those that already do. The world has changed, and clients want appropriate coverage when they’re looking for growth outside of the UK, particularly in emerging markets.

Today, more than ever, companies need risk management strategies that also focus on long-term survivability and opportunity. The appropriate and suitable use of FX derivatives are a fundamental part of that cost/benefit analysis and decision making process.

To find out more about Arena visit www.lloydsbankarena.com

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**ECGD: EXPORTING SUPPORT**

The UK economy is pinning its hopes on exports to play a major role in the recovery. The UK Government’s Export Credits Guarantee Department (ECGD), the export credit agency of the United Kingdom, has responded by launching a number of new initiatives aimed at helping exporters. Lloyds Bank is supporting these initiatives.

**EXPORT WORKING CAPITAL SCHEME**

The Export Working Capital Scheme is a new ECGD product from Lloyds Bank, introduced to assist UK exporters in gaining access to working capital finance (both pre- and post-shipment) in respect of specific export contracts.

The scheme has been launched to assist UK exporters to grow and is intended to help businesses that win new overseas contracts, in particular those of a higher value than usual to that business. The types of transaction supported under the scheme are likely to be structured working capital facilities, not as part of a general overdraft facility.

**BENEFITS FOR EXPORTERS**

The scheme is intended for high growth exporters who require additional funding to that normally required from their bank, supporting cash flow to allow businesses to fulfil export contracts.

**KEY FEATURES**

- The scheme is intended to facilitate exporting firms’ access to pre- and post-shipment working capital for specific export contracts with a value of £1m and above.
- Typically, ECGD will guarantee 50% of pre-shipment loans made in connection with qualifying export contracts.
- The scheme is underwritten by both the bank and ECGD, whereby ECGD will make its own credit assessment.
- A “qualifying export contract” is defined as one with minimum 20% UK content.

**BOND SUPPORT SCHEME**

The Bond Support Scheme is another new ECGD product that provides partial guarantees to participating banks under a master bond support agreement in respect of UK exports. Where a bank issues a contract bond (or procures its issue by an overseas bank) in respect of a UK export contract, ECGD (subject to certain eligibility criteria) will typically guarantee 50% of the value of the bond and up to 80% for advance payment and progress payment bonds.

**BENEFITS FOR EXPORTERS**

For the larger exporter, this scheme aims to provide additional capacity to the banking market to increase its ability to meet demand for contract bonds.

**KEY FEATURES**

- ECGD provides a guarantee to the bank issuing the contract bond or indemnifying an overseas issuing bank.
- Generally, ECGD’s guarantee will be for 50% of the credit risk on the exporter, but ECGD will be willing to go up to 80% for advance payment guarantees and progress payment or other cash-related bonds, provided that the bank is willing to release cash collateral against suitable evidence of expenditure from exporters.
- Security or collateral in respect of the particular bonding facility will be shared pro-rata between the participating bank and ECGD. There is no requirement for the bank to share with ECGD any fixed and floating charges or other security it may hold in respect of other facilities.
- ECGD’s guarantee is triggered in the event of a demand for payment being made by the buyer on the underlying contract and the UK exporter failing to reimburse its bank as contractually required.
MARK POOLE, Senior Advisor – Virgin Group, reveals the seven steps he took to steer Virgin through the recession into recovery.

1. Recognise the need to execute relevant actions as early as possible in view of the rapidly changing market conditions.

2. Maximise liquidity – both cash outflow steps to shrink business where necessary and cash inflows through portfolio realisation or debt financing, both centrally and at operating level.

3. In periods of downturn, recognise “cash is king” early on, even if this means changing corporate direction. Do not be afraid of taking bold decisions for the greater good.

4. Failure to take appropriate actions is not an option. Strategies have to be dynamic to move with market conditions. Nothing is sacred in a market downturn.

5. Reappraise all business lines to assess continued viability. Review their working capital models to improve their available cash resources.

6. Ensure appropriate hedging strategies (fuel, currency and interest rates) are executed effectively to minimise downside risk scenarios. Market volatility is out of business control – lack of action can be catastrophic.

7. Be as open as possible with staff. Transparency goes a long way to aligning the workforce to revised strategies.
Companies focused on expansion need to keep in sight the risk management implications of strategic events such as acquisitions, advises YURI POLYAKOV, Head of Financial Risk Advisory, Lloyds Bank.

With interest rates remaining low, many companies that have stockpiled large amounts of cash are now looking to put that capital to work by expanding their businesses. Much of this growth will be achieved through strategic transactions, such as acquisitions, rather than organic growth - which inevitably impacts risk management.

A fundamental rule of risk management is that the company's risk management policy must be aligned with its overall business strategy. The degree to which a company can accept exposure to fluctuations in the financial markets is largely determined by the risk profile of the company itself. In other words, a stable business with revenues which are unaffected by economic cycles or the activities of its competitors is likely to have a greater risk appetite than a more volatile business.

This relationship is important in the context of growth because strategic activities such as acquisitions can have a profound impact on a company's risk profile. Accordingly, if a company's business strategy changes, its risk management policy must also be revisited.

As a business embarks on a strategic path, it should focus on three key priorities. The first is protecting the company's buying power, whether this comes in the form of cash balances or secured bank lines. Secondly, once a target has been identified, the company needs to hedge the transaction so that it continues to make financial sense regardless of market movements.

The third priority is to ensure the best use of risk management instrumentation. When companies make hedging decisions, it is often tempting to use the simplest possible instruments, such as forwards or cross currency swaps. However, the use of these instruments can lock companies into particular interest or FX rates.

Funding decisions should be made on the basis of new risk management requirements.

Consequently, if the markets move in the company's favour when it has protected itself with forwards, it may find itself at a disadvantage in comparison to competitors that haven't hedged at all, or are hedging using option-based strategies.

It's crucial that companies consider whether the benefits of paying for options may outweigh factors such as premium costs and accounting treatment.

All too often risk management is perceived to be synonymous with hedging, but hedging is only a part of managing risk. More important is gaining an understanding of how much financial risk a company is facing due to movements in the financial markets - and how much of that uncertainty the company should be willing to accept.

The risk management decisions that are made today need to be appropriate for the company now and in years to come. Funding decisions, therefore, should be made on the basis of new risk management requirements, rather than focusing solely on today's balance sheet.

As companies look to grow, they should align risk management decisions with the business strategy, adjust risk policy in light of strategic events - and resist the temptation to become over-hedged when it may compromise their competitiveness in a favourable market.
“I’m a firm believer that if you’re on top of your game, then nothing gets the better of you.”

MOHSIN ISSA, Managing Director, Euro Garages
From zero to £300m in 10 years: MOHSIN and ZUBER ISSA demonstrate the drive and passion that will take their award-winning Blackburn-based business to the next level.

"The only threat to our continued growth that I can see," says Mohsin Issa, "is our own complacency - and there's not much chance of that. We're always striving to take the business further. We're not about resting on our laurels here."

That's exactly the kind of talk that's making Asian-owned businesses one of the UK's fastest-growing sectors and a key driver of economic renewal in the regions where they're most strongly represented.

Managing Director of Blackburn-based Euro Garages, Mohsin and his brother Zuber exhibit those qualities of ambition and dedication that are typical of so many family-owned Asian businesses.

Two characteristics stand out in these businesses: first, they're often less debt-burdened than their western counterparts, particularly in the early stages when owners habitually plough profits back into the business; second, they're built on an incredible work ethic.
Their potential is recognised by the UK Government, which has launched The National Asian Business Association as an umbrella organisation for the numerous Asian business groups across the UK, representing some 15,000 companies.

And these businesses are not slow to challenge their stereotype as, essentially, small “corner shop” businesses in the food or retail sectors. Now into the second and even third generation, many have gradually become impressive economic growth forces through hard work and reliance on family.

**THINKING BIG**

Euro Garages, for example, started in 2001 on a single forecourt site owned by the Issa family in Bury, Lancashire. It has now grown to encompass more than 70 sites and, with a turnover of some £300m, has featured in the Top Track 250 for the past three years.

And, according to Mohsin Issa, the company’s growth is down to hard work, focus – and thinking big with the right partners “who share the same values of trust and the same commitment to quality.

In an imaginative new step, for example, the Issa brothers, who founded the enterprise, have recently appointed former Asda Chief Executive, Andy Bond, as Executive Chairman and a co-investor in the business.

“We’ve taken the business to this level,” says Mohsin, “but, when you’re looking at convenience and retailing beyond that, we felt we needed the expertise of someone who knows a lot more than us.
We can all do with some help. We’re always learning so, when the opportunity came up for us to talk to Andy, we were very keen to get him on board. His track record speaks for itself.”

In common with many Asian businesses, the Issa family live and work together. This creates an incredible dynamic and provides “a lot of support”, according to Mohsin. It was certainly fundamental in the early days when the two brothers were running all aspects of the company.

“My background is retail and it’s been a case of building the business up through trial and error,” Mohsin explains. “We’ve done everything, from running the till to ordering supplies, so we’re familiar with all the systems, processes and procedures. You get a pretty good idea of everything that goes on – it’s really the best kind of experience.”

The trust inherent in a family business remains at the heart of Euro Garages today – from its relationship with Lloyds Bank, which it refers to as “part of the family”, to the team that Mohsin and Zuber have assembled. “When people join our team, they don’t seem to leave very often,” Mohsin admits. “We’ve got a lot of loyalty.”

In fact, the firm has been a long-standing customer of Lloyds Bank since they provided an initial debt facility to support Euro Garages’ growth plans. A bespoke hedging solution was put together as part of this to reduce risk and help the brothers focus on growing the business – a strategy that has been subject to regular review as the relationship and the needs of the business have evolved.

Recently named Forecourt Trader of the Year, Euro Garages is as ambitious as ever. Currently based in the North West of England with a presence in the Midlands, a new funding package from Lloyds Bank will form the basis for future growth.

As part of this, the Bank also conducted a complete review of Euro Garages’ hedging strategy, covering topics such as basis risk, mark to market funding alternatives and carry considerations in the context of the current economic outlook. This rethink has enabled Mohsin and Zuber to make an informed decision on their future risk management strategy, and will provide a large degree of certainty over their cost of funds as the company enters its next phase of growth.

“This latest deal has given us a £110m war chest,” says Mohsin, “so we can go out and look at opportunities with committed funds behind us. We’re looking to increase our portfolio of sites and that will mean expanding our geography, as well.”

In today’s tough business environment, Euro Garages’ success is remarkable for bucking the economic trend. And the secret behind that, according to Mohsin, is innovation. “You’ve got to set your stall out differently, so you’re offering something your competitors aren’t. We’re pretty much known as the innovative guys in the UK’s forecourts, so people are always looking to see what new ideas we’re using.”

BEING THE BEST

The company’s strategic shift in emphasis has created its own challenges, explains Mohsin: “Four or five years ago, fuel was our biggest contributor and convenience didn’t make a huge impact on the bottom line. In 2011, we’ve actually crossed the line and non-fuel sales will be bigger.”

“That switch has coincided with the supermarkets moving much more strongly into the fuel side of the business, so it’s brought a new competitive element into the mix. We’ve got to be a lot better than them – our facilities, our service, our standards all have to be better, and it’s about having the right brands and the right products in place.”

There’s energy and pride about Mohsin as he describes building his business from nothing into the multi-million pound entity it is today. As he looks ahead with the funds in place to achieve even further growth, he’s confident in the continued success of the Euro Garages business. “I come in early, I finish late and I’m on top of my game. I’m a firm believer that, if you’re on top of your game, then nothing gets the better of you.”

MOHSIN ISSA, Managing Director, Euro Garages

£110m
RECENTLY NEGOTIATED WAR CHEST WITH LLOYDS BANK TO SUPPORT GROWTH AMBITIONS

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BEING THE BEST

The company’s strategic shift in emphasis has created its own challenges, explains Mohsin: “Four or five years ago, fuel was our biggest contributor and convenience didn’t make a huge impact on the bottom line. In 2011, we’ve actually crossed the line and non-fuel sales will be bigger.”

“That switch has coincided with the supermarkets moving much more strongly into the fuel side of the business, so it’s brought a new competitive element into the mix. We’ve got to be a lot better than them – our facilities, our service, our standards all have to be better, and it’s about having the right brands and the right products in place.”

There’s energy and pride about Mohsin as he describes building his business from nothing into the multi-million pound entity it is today. As he looks ahead with the funds in place to achieve even further growth, he’s confident in the continued success of the Euro Garages business. “I come in early, I finish late and I’m on top of my game. I’m a firm believer that, if you’re on top of your game, then nothing gets the better of you.”
SUCCESS BUILT ON FAMILY VALUES AND TRUST

Over the past seven years, KAMEL HOTHI has worked tirelessly to improve the understanding of Asian businesses within Lloyds Bank. Here she explains how their insights into the culture and dynamics of Asian business have reinforced relationships in that community.

“T”o succeed with Asian businesses, you need to become a friend first. Trust is hugely important. So is respect for elders. The father figure might not necessarily be part of the business, but he needs to be honoured – so his opinion needs to be sought.”

Recognising a clear opportunity to engage with Asian businesses, Kamel has worked closely with colleagues to educate them in the tools and skills to understand the differences between the cultures – everything from a handshake and eye contact, to the synergies between family and business. Indeed, Lloyds Bank was the first to offer an Islamic Business Account.

From a traditional Asian business family background herself, giving her a unique insight into the cultural mores of Asian business, Kamel could see the opportunities that mainstream banking culture had ignored. “Asian businesses were growing three times faster than mainstream companies. And, underneath that big statistic, we could see several openings – the demand for products shaped to appeal specifically in this marketplace, the challenge to adapt the right communication channels, the preference for a ‘face behind the brand’ so that culture never becomes a business barrier,” she points out.

In recognition of her considerable contribution to improving access to funding for Asian businesses, as well as her work in educating Corporates and Government in cultural differences, Kamel has recently been awarded an honorary doctorate from The World Sikh University in London.

“I am truly humbled to be honoured in such a way,” Kamel says, “and I am proud that Lloyds Bank has been in the vanguard of leading a strategy that recognises the value of Asian businesses to the British economy. This is an exciting time for Asian businesses. The third generation are taking charge, infused with the incredible work ethic of their forefathers, and asking: ‘How do we take the company to the next level?’ And they, too, are crossing cultural frontiers – bringing in western partners, for example, as non-executive directors; sometimes using more debt; certainly deploying stronger corporate governance.

“Banks like ours have a key role to play here by respecting the family structure but also by helping to reinforce corporate methodologies.”

KAMEL HOTHI, Head of Asian Markets, Lloyds Bank
Setting an ambitious strategic vision at the outset has inspired Newcastle Pharmaceutical business, Aesica, to pursue an acquisitive agenda for growth.

Newcastle-based Aesica Pharmaceuticals is well on the way to achieving its ambition to become the UK’s top supplier of active pharmaceutical ingredients (APIs) and formulated products to the pharmaceutical industry. “That’s our overarching vision,” says Chief Financial Officer Nick Jones. “We aim to be the partner of choice for our pharmaceutical customers.” And his company’s impressive track record substantiates its ambition:

- the only pharma business in the 2011 Sunday Times Profit Track 100 listing
- third in the Buyout Track 2011
- impressive annual profit growth of 59%

Aesica was established in 2004 following an MBO from BASF supported by Lloyds Development Capital. And with its acquisition of a single site technical centre at Cramlington, Aesica set its sights on becoming the number one contract manufacturing organisation to the global pharmaceutical industry.

Kick-starting growth

In 2006, Aesica acquired a chemical manufacturing facility from MSD and a year later it bought a secondary manufacturing facility from Abbott Laboratories. At the same time, it opened a new API pilot plant at its Cramlington headquarters.
The company then focused on consolidating these acquisitions, but never lost sight of its strategic goals. “We knew the criteria we needed to meet if we were going to be the partner of choice for our customers,” Nick explains. “That doesn’t mean being the biggest or cheapest – it’s about providing value, reliability, quality and sustainable relationships. We were clear on what we needed to maintain those.”

**The Next Level**

The 2010 acquisition of Nottingham-based R5 was a crucial step in Aesica’s strategic plan. It gave the business the capacity and capability in formulation development to achieve the next stage of its growth. 

“It really was key to our growth plans,” admits Nick. “And that’s exactly when the value of your banking relationships is tested. We’d bedded in the previous acquisitions and we were ready to move up to the next phase of our growth plan. We went out to the market on that basis.”

“Lloyds Bank had stayed close to us since the initial MBO in 2004, so they understood our business and knew what our plans were. They came to us with a market-leading, flexible package that re-financed our existing debt and gave us a £20m revolving credit facility to complete the deal with R5.”

**Global Ambitions**

With 95% of the company’s business from its UK base conducted overseas, Aesica’s next ambition was to secure operational locations in Europe. The opportunity came in 2011 when it bought two sites in Germany and one in Italy from UCB, Belgium’s largest pharmaceutical company.

“It was a transformational deal for Aesica,” Nick recalls. “But we were really up against the wall with the timescales being demanded by UCB. We needed committed funds from the Bank – and they delivered. You can’t ask for more.”

From a single site in 2004, Aesica has grown into an international, multi-site, multi-customer business. Turnover has risen from £25m to over £150m. And the business remains hungry to meet its goals and maintain its strategic vision.

And the company is confident of its scope for further growth with a customer base that seeks the quality and certainty of supply for which Aesica is now known. “We currently have sales offices on the US east and west coasts,” says Nick, “plus a sales and sourcing office in Shanghai. Our next steps are to secure manufacturing assets in North America and Asia. “The industry is growing. There’s increasing demand from the emerging economies. Our customers want us to be in those markets and we want to meet those customer needs.”

“Aesica has never lost sight of its strategic goals and has continued to acquire businesses to support its growth.”

**Acquisition Expertise**

Aesica’s tremendous growth story continues. In its latest chapter, Lloyds Bank’s Acquisition Finance team has acted as lead arranger providing a package of senior debt and a revolving credit facility to support Silverfleet Capital in replacing LDC as majority shareholder.

Simon Dixon, Director of Acquisition Finance at the Bank, sees great potential in the new deal: “Aesica is a pioneer in a growing market, demonstrating the positive effect that private equity ownership can have on a business. Our continued support alongside Silverfleet gives Aesica a firm basis for further expansion.”

The Bank’s Acquisition Finance team has created an enviable reputation, delivering over 500 transactions in the past five years, despite challenging economic conditions. Financing transactions ranging in size from £2m to some of the largest deals to come to market, the team has developed close relationships with the private equity community.

It’s this commitment and expertise that has seen Acquisition Finance named Debt Provider of the Year for four years running, as well as Leverage Finance House of the Year for the last two years in succession.

“We’ve remained strong and active where some of our competitors have pulled back,” Simon concludes. “Our teams of experienced dealmakers have a local presence throughout the UK, which means that we can offer flexible, innovative transactions to help support business growth.”
With liquidity in the bank loan market tightening in recent years, European corporates are looking to diversify their sources of funding. While still relying on banks’ balance sheets, they are increasingly looking to debt capital markets. SIMON ALLOCCA, DAVID CLEARY and MARK BURTON of Lloyds Bank report on how businesses are balancing different sources of financing.

Things have changed a lot since the global financial crisis began in 2008, when liquidity in the bank loan market came under heavy pressure. With new banking regulations, such as Basel III with its new capital adequacy requirements, coming into force some of this pressure persists. Banks are still willing and able to lend. However, corporates are increasingly looking beyond bank loans for a more diverse funding structure.

Banks need to help their corporate clients to do this, largely through an emphasis on relationship banking rather than the once-familiar transactional model.

Nevertheless, traditional bank lending remains vital to most corporates. “We normally have a very large bias towards bank debt and we use revolving credit facilities,” says Mike Verrier, Group Treasurer at heating, plumbing and building materials supplier Wolseley. “Term debt can be a bit of a problem, though we do have a multiple tranche US private placement and also term debt based on the mortgages of our Nordic freehold properties. Those term deals are our core debt, but we use revolving credit facilities for variability.”

Wolseley, which diversified its funding in 2005, is a prime example of a company using bank loans to ensure sufficient flexibility in its funding structure. It recently concluded the successful syndication of two five-year revolving credit facilities totalling £820m, replacing existing bank facilities of £1.6bn.
The move to more attractive market pricing will save the company around £12m annually. “Bank lending remains a cornerstone of any company’s borrowing structure,” notes Simon Allocca, Managing Director, Head of Loan Markets at Lloyds Bank. “It provides flexibility that no other product provides. But borrowers are realising that banks will be most likely looking to provide ancillary business such as bond issuance, hedging products or providing cash management to the borrower.”

In Europe, the sovereign debt crisis is affecting liquidity. Bond markets have sometimes closed to new issuance, pushing more companies to seek bank loans. This demand squeezes liquidity at times. “Until the start of the summer, the loan market was in a relatively benign state,” remarks Allocca. “Now, the market is waiting for a solution to the sovereign debt crisis in Europe and the disturbances in the Middle East and North Africa. This has impacted the bond and high-yield markets, so there is once again more reliance on bank lending. This will have an impact on pricing and liquidity, but loan markets are very robust.”

**Banking on Bonds**
The investment grade bond market has become increasingly popular with companies. Europe is emulating the long-established US model in which long-term funding comes from bonds and short-term working capital from bank debt.

“As sources of debt finance, bonds and US private placements are proving increasingly popular in Europe,” says David Cleary, Director of Corporate Debt Capital Markets at Lloyds Bank. “Corporate funding used to be split roughly 80% bank loan and 20% debt capital markets; now the split is around 60/40.”

One large corporate going down this route is InterContinental Hotels Group (IHG), which currently has a $200m finance lease on property, a $1.6bn revolving credit facility and a £250m sterling bond.

“We have strong bank relationships, but neither we nor they want us to be 100% bank funded;” says David Daniels, IHG’s group treasurer. “The only disadvantage of going to the bond market was the need for a public credit rating, but we chose the sterling market, for which we only needed one rating, and then swapped it into US dollars.”

For smaller corporates with good ratings the investment grade market is attractive, but advice from their banking partners is crucial.

“A lot of education is needed to ensure that they have the liquidity they need, whether in traditional debt capital markets, US private placements (USPPs) or high-yield bonds,” says Mark Burton, Regional Managing Director at Lloyds Bank. “As a bank, we can call on first-hand experience of how other businesses have used those markets.”

**Higher Yield and Targeted Investors**
The debt capital markets have more to offer than investment grade issues. The use of USPPs, for instance, is growing rapidly. These are securities sold to a relatively small number of US investors, usually institutions such as mutuals and pension funds. USPPs do not ordinarily have to be registered with the Securities and Exchange Commission and the prospectus and financial disclosure is limited relative to a public issue.

This makes USPPs relatively simple and increasingly appealing to corporates outside the US. Wolseley did a $1.2bn USPP in 2005 that matures in 2020. “We went to the private debt market because we like the investors,” says Wolseley’s Verrier. “They move quickly and they tend to stick with you.”

“Bank lending remains a cornerstone of any company’s borrowing structure. It provides flexibility and convenience that no other product provides.”

Once again, new issuers need advice from their banks. “For a debut issuer,” says Cleary, “it is a leap of faith to go to a new market with new investors, especially the USPP market, where you need to establish new relationships with investors. You do need a relationship bank that you can trust.”

High-yield bonds have a credit rating of BB+ or lower and issuance in the market has skyrocketed since 2009, when it accounted for less than 5% of the sterling bond market. That figure looks set to exceed 30% in 2011. A similar trend has emerged in euro bonds.

The onus is now on banks to develop specialist teams working together to meet clients’ broadening needs. “Banks do seem more customer-focused now,” says Verrier, “looking for long-term relationships, which means developing sticky products like trade receivables financing or cash management on the back of revolving credit facilities. To get the sticky bits they have to know their customers well.”

Broadly, companies seem to prefer closer relationships with fewer banks, while retaining enough to foster competitive tension.

In that vein, banks that take a partnership approach will be positively received by their customers.

**Source:** Lloyds Bank Data correct as at September 2011

Article as first seen in FD Europe, November 2011
“OVER 170 ATTEMPTS AT ANYTHING GIVES YOU A VAST AMOUNT OF EXPERIENCE.”

Dynamic growth through the recession and a £1.1bn refinancing to help fund further acquisitions – IAN PATRICK, Group Finance Director of Towergate, explains (some of) the secrets behind the insurance intermediary’s success.

From our beginnings, back in 1997, we’ve acquired over 170 underwriting and broking firms to become Europe’s largest independent insurance intermediary. In last year’s difficult conditions, we grew operating profit by 18% to £139m on income of £361m and we currently oversee the placing of more than £2.5bn-worth of insurance premiums each year.

Over 170 attempts at anything gives you a vast amount of experience, and we’re very careful to learn the lessons as we go along. We’re rigorous about periodically examining the performance of the businesses we’ve bought – what went well, what went badly - and we endeavour to not repeat mistakes.

We tend to target smaller acquisition opportunities: our best deals tend to be fairly small deals – acquisitions of less than £5m.

But we spend a lot of time knowing our sector inside out. Because we know the people, we have a much better chance of doing successful acquisitions.

AGILITY IS REALLY AN ATTITUDE OF MIND. THE TOWERGATE CULTURE HAS ALWAYS BEEN TO BE VERY NIMBLE, WITH A VERY FLEXIBLE STRUCTURE.

Some people say the bigger you get, the less agile you become to respond to market changes. I don’t see it that way. Our constant acquisitions require us to move quickly and to have a very short distance from the board table to the 4,000 staff in our 100 offices.

That attitude has undoubtedly helped us deal with the recession. We were quick to see the risks and put in place a plan to deal with them. Clearly it placed some strains on us but we’ve weathered it very well. We’ve demonstrated our defensive capability and, while many of our clients have had to reduce staff numbers and vehicles on the road, we’ve made it one of our key tasks to be there for our clients and support them during these difficult times.

In any case, our habit is not to focus on challenges. We focus on opportunities, and the big opportunity we see in our marketplace is of much more business being done electronically. It may surprise you but, to date, very little commercial insurance business is traded electronically. There are still lots of faxes flying around and we see a big opportunity here for our PowerPlace business – a web-based, full-cycle trading marketplace we launched in 2009 to help brokers increase efficiency by streamlining their processes.
Where many other banks organise themselves around business size, Lloyds Bank organise around sector expertise. For us, that’s a huge strength.

**EXPERT KNOWLEDGE OF OUR SECTOR HAS BEEN A CRITICAL FEATURE OF OUR RELATIONSHIP WITH LLOYDS BANK.**

That’s precisely why we chose Lloyds Bank as a lead bank in our recent £1.1bn refinancing and equity raising with the global private equity firm Advent International, an investment that includes a £90m acquisition fund.

Lloyds Bank was a natural choice: we’ve worked with them for many years and we know that one of their key differentiators is their deep experience of our sector. Many other banks organise themselves around business size, but Lloyds Bank mobilises themselves around sector expertise. The team we work with deals with nothing other than insurance business.

It means that our Relationship Director can quickly and easily get comfortable with the kind of businesses we’re buying. In these acquisitions, we’re always up against a tight timetable and we need a bank that can respond at speed. Lloyds Bank does that. For us, that’s a huge strength.

**LLOYDS BANK HAS BEEN THERE FOR US THROUGHOUT THIS EXCEPTIONALLY TOUGH TRADING PERIOD – A CONSISTENT SUPPORT WE VERY MUCH APPRECIATE.**

Trust really is important in our industry. Insurance is all about customers trusting us to pay their claims should the worst ever happen. And trust is just as important to us in our banking relationship. What that means is that there’ll be no surprises. We both know we’ll do what we’ve undertaken to do. That’s exactly how Lloyds Bank has behaved over the 10 or more years I’ve worked with them.

When we ask the difficult questions, they have the expertise to be very creative with their solutions, which is more important than ever as we implement our growth strategy over the next few years.
Even in today's tight market, MARK BOLSHAW sees growth opportunities for ambitious, strongly-managed businesses.

“IT’S TOUGH, NO QUESTION. SUCCESS RESTS ON OUR SKILL IN DELIVERING DEALS EXACTLY WHEN AND HOW WE PROMISED.”

One stand-out strength our customers tell us they value is our streamlined teamwork. Ours isn’t a multi-layered business. Quite the reverse: we make sure clients have very quick and easy access to our senior people. So, before we put any caveated offers out to private equity houses for any given transaction, the components of the deal will already have been fully evaluated at senior level ensuring that the credit process-line is short, clear and flexible.

This is particularly important in today’s climate where leverage multiples have become more conservative: the amount of debt we’ll lend as a multiple of EBITDA has fallen – so the element of risk of debt in any given deal is now lower than it has been historically.

What’s pleasing is that we’re retaining our market position, despite the way the market has slowed for everyone. And several deals exemplify the spread and complexity of the work we’ve been doing. Among larger corporates, in January 2011 we supported Bain Capital’s buyout of IMCD, the leading distributor of speciality chemicals and a firm with which we have enjoyed a longstanding relationship. They were successfully sold down into the market at a time of intensifying caution.

Our deal with Aesica Pharmaceuticals also typifies how we stick close to a valued customer through the cycle. A few years ago, Lloyd’s Development Capital (LDC), Lloyds Banking Group’s private equity arm, funded Aesica’s primary management buyout. Since then, we’ve helped refinance the business and supported this biotechnology company’s major acquisitions in Germany and Italy. Now, again with our support, they’ve made a significant profit in selling a majority stake in their business to the private equity house Silverfleet.

“One of the growth trends we’re experiencing is in the offshore oil and gas market where there’s been a noticeable resurgence.”

After the fall-out caused by the Gulf of Mexico disaster, there’s now renewed confidence in that market. And, with the price of oil staying consistently over $100 a barrel, this is proving fertile territory for investment in a region and an industry where we are building market-leading specialist expertise.

Elsewhere, we’re seeing fortunes fluctuate between key sectors. Everyone can see, for example, that retail is now starting to feel the belated effects of the recession. So deals in that sector have inevitably become scarcer. On the other hand, we’re now seeing more deal introductions in sectors like specialist manufacturing which are benefiting from the strong foothold the UK still has in global markets.

“The strength our customers find most valuable is the consistent support we’ve offered through the recession.”

During 2008-09, for example, some banks pretty much pulled out of this marketplace. But we stuck with it and, at a time when our private equity customers couldn’t get much funding, we were there to provide it for them. And, at a time of relative funding famine, they’ve enjoyed our support as we’ve remained open for business – one of very few banks to do so.

Now again, funds that had been strongly in the market buying debt on private equity deals in early 2011, have pulled out once more because of the global economic uncertainty. And, as things stand right now, although there are pots of cash being hoarded, one consequence paradoxically is that there’s less funding support for top-end private equity deals.

“In the next 12 months, we know that, even in today’s tight conditions, valuable growth opportunities will arise.”

Our assessment of the deals market in 2012 is that it will be similar to 2011 – we’ll still be in an environment that I’d characterise as ‘comparative economic struggle’. We don’t expect to see many companies growing at a rate that would attract investment from private equity houses. So, in volume terms, the opportunities for the debt market to support private equity are probably going to remain relatively tight.

All the same, the important objective for us is that we’re vigilant about identifying the opportunities that are bound to occur and ensuring that we’re in a position to lend sensibly to strongly-managed businesses in sectors with measurable growth potential.

Our aim is to determine the optimum acquisition finance deal for our customers and partners. First off, that means going out to meet businesses so that we fully understand their requirements. A firm appreciation of the ambitions of your management team really is vital if we’re to devise the funding packages that will meet your goals.

MARK BOLSHAW is Head of UK Origination, Regions, Acquisition Finance, Lloyds Bank.
“Better use of technology can generate real growth.”
As the global economic outlook remains grim and UK politicians struggle to find a recipe to revive the domestic economy, there are thousands of words being written and spoken on the subject of growth. The big challenges are finding a way to kick-start it, and then ensure we maintain it.

Much of the discussion is focused on short-term ideas: “spend money on us and we will create jobs.” However the UK’s technology sector is putting forward a different message. One that examines the fundamentals of the economy and how to make it more productive by smarter use of Information and Communications Technology (ICT) across every sector; enabling businesses to innovate, become more competitive and reach new markets. It is this focus on improving productivity which has been missing from the Government’s growth agenda but which, ultimately, will boost growth, providing not just a short-term fix but long-term improvements.

This idea is supported by a number of reports and studies which make the link between improved use of ICT, productivity and economic growth. Recent research by Oxford Economics has found that investment in ICT generates a bigger return to productivity growth than most other forms of capital investment. The ROI in ICT is typically between 20-25%, compared to around 15% in other forms of capital investment. Studies which have examined this idea make the point that payback can be quite quick as well as delivering long-term improvements, which meets the Government’s objectives.

The technology sector’s message to the Government is therefore not simply one about improving its own performance, but how better use of technology can generate real growth.

To illustrate the arguments, figures from the Office of National Statistics indicate that the use of computers by staff in manufacturing companies raises productivity by 2.2% for each additional 10% of employees who become IT enabled. In service companies, provision of computers raises productivity by 1.5% for each additional 10% of employees who become ICT enabled. An e-skills report said that across the whole economy, optimisation of ICT over the next five to seven years could generate an additional £50bn across the UK economy.

Raising productivity sector-by-sector is therefore seen as being central to generating overall growth. However, the technology sector has expressed concern that there is currently no cross-government strategy in place to deliver the objective of putting productivity firmly on the growth agenda.

To date the Government has developed a number of policies aimed at the technology sector such as investment in Technology and Innovation Centres (TICs) and funding for broadband in rural areas. However, more needs to be done to bring together the various strands of technology policy, particularly recognition of the role of technology as an enabler of economic growth through greater productivity.

The idea of using ICT to drive productivity and growth is one which the industry first raised with the Government in 2011, at a meeting between tech company leaders and ministers from BiS, including Business Secretary Vince Cable. At this meeting it was agreed that Intellect, the trade association for the technology sector, would carry out more research and a technology summit would be held to examine how IT can play a role in the UK’s growth strategy.

At this summit the technology sector will spell out its ideas in more detail and begin explaining how ICT can be the power tool that can help other sectors build success. The message from the technology sector is not that the Government should spend more money on ICT, or grant it special treatment. The message is that placing greater emphasis on how better use of technology can help all parts of the economy become more productive can drive long-term and sustainable growth.

“The technology sector’s message is not simply one about improving its own performance, but how better use of technology can generate real growth.”
The average UK modem sync speed. This is forecast to improve as availability and take-up of superfast broadband (with download speeds in excess of 24Mbit/s) increases.

SOURCE: Ofcom

At a time when banks were routinely focused on three-year transactions, Lloyds Bank helped Telecity, the pan-European operator of network independent data centres, break important ground with its ambitious £200m growth senior debt facility on a five-year tenor.

The award-winning deal, described then by Treasurer Magazine as “an unprecedented achievement in the syndicated loan market”, saw Lloyds Bank act as joint mandated lead arranger in a four-bank club to fund Telecity’s continued impressive growth across Europe.

Brian McArthur-Muscroft, Group Finance Director of Telecity, says: “This facility provides the group with additional flexibility to capitalise on expansion opportunities and enables us to continue to create significant value from investment in organic growth. The support of Lloyds Bank is a strong signal of their long-term belief in the Telecity business model and growth trajectory, demonstrated in particular by the commitment to a five-year deal.”

Launched in 1998, Telecity now operates 27 data centres in prime city centre positions in Amsterdam, Dublin, Frankfurt, London, Manchester, Milan, Paris and Stockholm. Customers can locate their servers in a secure and reliable facility with interconnections to multiple network and internet providers. Telecity’s “extensive and highly-targeted” growth programme aims to double its capacity across the region.

Given the long lead times for identifying and building out new data centres, explains Group Financial Controller, Brad Petzer, Telecity regarded it as vital to secure five-year tenor facilities.

The £200m refinancing of Telecity Group’s growth senior debt facility broke important ground in 2010 as a five-year club deal when market appetite was restricted to three. Group Financial Controller, BRAD PETZER recalls “an unprecedented achievement”.

For Telecity’s Treasury team, this was a particularly challenging proposition for the UK investment-grade market at a time when most lenders were reluctant to fund beyond three years.

The fact that the team pulled off this “mission impossible” was recognised in the 2010 Association of Corporate Treasurers (ACT) Awards, where Telecity was voted Mid Market Deal of the Year.

“That refinancing of our £200m club deal, maturing February 2015,” says Brad Petzer, “gives us the flexible headroom we need to execute our growth strategy, both organically and through further bolt-on acquisitions.”

In May 2011, Telecity extended the facility by a further £100m and pushed the tenure back out to five years. “The improved credit rating of Telecity allowed us to review the financial covenants and put in place an enhanced facility with the same bank club,” says Keith McLagan, Corporate Lead Relationship Director from the Bank’s Mid Markets, Technology, Media and Telecoms team.

“That deal enabled Telecity to acquire a further two strategically important businesses with headroom to spare. It’s all about planning ahead in terms of structuring the debt facilities and constantly reviewing them to ensure they remain fit for purpose.”

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17GB
Residential fixed broadband customers use an average 17 Gigabytes of data per month. Mobile broadband demand is on average 0.24 Gigabytes per month.
SOURCE: Ofcom

48%
The percentage of UK adults with a social networking profile.
SOURCE: Ofcom

“I’d single the Bank out for their support in risk mitigation. They’re very proactive with new ideas. By saving us money, they’re helping us to grow further.”
BRAD PETZER, Group Financial Controller, Telicity
Apple topped a list of the most Valuable Global Brands 2011, with brand value of $153,285m - an 84% increase from 2010.

**TELECOMS SECTOR REPORT**

Telecity's growth has already been remarkable. It's doubled its size over the past three years and its 2011 first half results show revenue up by almost 20% to £112m with profits before tax at £31m. A business that was barely breaking even 10 years ago has emerged as Europe's industry-leading provider of premium carrier-neutral data centres.

The Group specialises in the design, build and management of highly connected, resilient and secure environments in which customers can house their telecoms, internet and IT infrastructure. They've been quick to capitalise on both increasing online demand through developing centres at hubs of connectivity and the growing trend for outsourcing amongst today's businesses.

"People are putting their mission critical equipment in our data centres," says Brad Petzer. "That's a huge responsibility, so we need to deliver on service and that means taking every possible precaution to minimise outages. Our strategy is to build data centres close to demand, at hubs of connectivity, which has enabled us to become the core underlying fabric of the digital economy. And from a growth perspective, reputation is critical.

"The other big challenge is to be ready at the right time to meet demand. If we haven’t got the inventory, then we can’t deliver and you don’t get a second chance. That’s why it’s crucial having the funding in place – we can react when opportunities arise and when we meet the trigger points on capacity."

"It's Telecity's tenacity and tremendous ability to plan their growth strategy that really sets them apart," remarks Keith McLagan. "We’re very open with each other in our discussions around the opportunities they face and the management of their risks."

Brad Petzer concurs: "Where I’d single out the Bank's contribution is definitely in the support they provide us with in risk mitigation. They're very proactive and give us many new ideas. By saving us money, they're helping us to grow further."

Three Lloyds Bank specialist teams are assisting Telecity with their growth strategy with their Relationship Team liaising between the various specialists.

**SECTOR SPECIALISTS:**

Risk Management team: Taking a strategic approach to hedging is important when dealing with a dynamic business such as Telecity, says Director of the Bank’s Mid Markets Sales team, Barry Millar. “The way forward for a business like this depends on innovative ideas to meet the particular requirements of this business. We’re constantly looking at creating tailored hedging ideas that meet Telecity’s long-term strategy and have recently executed some swap transactions.”

**LOAN MARKETS:** Securing the five-year tenor in the bank market, which was crucial to the company’s growth strategy was “a massive challenge,” says Wayne Robinson, Associate Director of Loan Markets. “The lead times in firstly identifying and then building out their new data centres, meant that financing on a three-year maturity really wasn’t the most appropriate solution for the business model. A big part of securing those terms was down to the close contact and openness of the relationship between the business and their circle of banks.”

**CORPORATE ASSET FINANCE:** In addition to the main £300m club facility, Lloyds Bank's Corporate Asset Finance team has provided Telecity with a little more headroom for growth. “To keep our normal banking facility free for M&A activity, the more we can put into asset finance the better,” Brad explains.

The flexible four-bank facility is co-ordinated by Mark Moss, Director, Corporate Asset Finance. “It’s a perfect facility to support Telecity’s growth,” he says. “The company deals with one point of contact, but exposure is spread around the bank group. It’s efficient and flexible. It matches assets and liabilities and maintains all the tax benefits of ownership with Telecity, whilst reducing the amount of cash leaving the business. When growth is top of the agenda, being able to access that cash is vital.”

And Brad is confident of Telecity’s prospects: “There’s still a lot of business to go after. The dynamics around internet usage, outsourcing, virtualisation and cloud computing will continue to drive demand. We have the inventory and we’re continuing to build out in all countries to satisfy that demand. We also have the debt capacity to deliver it, so I think we’re reasonably confident in strong growth over the next three to five years.”
UK smartphone users grew by 70% in 2010 (see chart 1), the fastest growth globally, according to data provided by Ofcom, the UK telecommunications regulator. Increased smartphone take up and penetration has driven greater demand for data intensive mobile content, following similar industry trends around the world. However, the UK has been relatively slow compared with other countries in adapting technology to increase the capacity and efficiency of existing wireless networks to address current and future consumer data intensive requirements. Therefore, Ofcom’s announcement that the UK’s 4G spectrum will take place in the first half of 2012, allowing for significant gains in capacity, should have been welcomed by the industry, but the date of the auction has been pushed forward to allow greater consultation with the industry.

For larger service providers, such as O2, the planned terms of the auction have come under criticism, as they are designed to ensure smaller operators such as Everything Everywhere are provided with a more balanced share of the required spectrum, reducing the competitiveness of the process. The auction process embeds spectrum floors, safeguard caps, and low reserve prices to allow the UK’s four mobile service providers (Everything Everywhere, O2, Vodafone, and 3) and potentially new regional entrants to have a balanced share in new capacity. This auction is for 80% more spectrum than the last 3G auction in 2000, which raised some £22.5bn. Yet the new auction is expected to only raise £2bn, in part due to the investment requirements from providers, but also because of the bidding process. O2 estimates that 3 and Everything Everywhere (who have no sub-1GHz spectrum) could pay £1bn less in the auction process than if open bidding was allowed. Ofcom argues that the net beneficiary remains the consumer, helping the UK remain one of the most competitive telecoms markets in the world, but the debate, should it reach the EU, could significantly slow the take up of new technology.

It is unlikely that 4G technology will be available to the consumer until 2013 or 2014 at the earliest. Despite this, some providers have already planned to start investment. For example 3, which will seek to start investment in the second half of 2011. Although 4G technology will provide significantly more capacity for UK mobile phone operators, meeting future wireless demand will require additional improvements and expansion of current technologies, all contributing to large investment requirements for the sector in the coming decade. Globally, spending by wireless internet providers on infrastructure is expected to rise by 7.7% in 2011 to $43.2bn and will stay level over the next three years, according to research conducted by IHS iSuppli.

As the UK’s wait for 4G lengthens, Carl Paraskevas, Director of Sector Economics, Economic Research, Lloyds Bank, reports on investment in the new technology.
More and more businesses are turning to asset-based finance as an alternative funding strategy for growth. MARTIN COOPER, Director, Large & Major Corporates at Lloyds TSB Commercial Finance, explains the benefits.

In today’s tough climate, businesses are looking for certainty and security. That’s exactly why, across business sectors and company sizes, we’re seeing such an increase in the number of enterprises looking at alternative funding routes.

It’s also why so many are finding asset-based finance so attractive: it provides an immediate source of cash that’s simple to put in place. And you know exactly how the facility is going to move because it’s driven by the working capital requirements of your company and the assets in your business.

These days, strong managers are more sharply focused than ever on ensuring that they have the right funding facilities in place so they’re best placed to capitalise on any opportunities that come their way. And that’s one of the benefits of asset-based finance – it provides a pool of available funding that’s readily accessible whenever new prospects present themselves.

We’re seeing more and more clients looking to use asset-based finance strategically as an aid to growth and to gain competitive advantage: it’s an excellent tool for making acquisitions, funding expansion and financing management buyouts. In current conditions, we’re working with a number of corporate teams who have identified acquisition opportunities.

There are a number of benefits in the asset-based finance route. The facilities offer an immediate way of funding the working capital requirements of a company and make a contribution to the purchase price by leveraging the business’s assets. In the current climate, companies get the strategic benefit of scale by acquiring turnover, whilst knowing they can fund it through invoice finance, whilst being able to remove duplicate costs, thereby seeing the fall to the bottom line.

At Lloyds TSB Commercial Finance, it’s essential to have an intimate understanding of our customers’ business and their goals so we can accurately gauge where asset-based finance can best support the smooth running and strategic aspirations of the business.

We take a holistic view – who are the customers, who are the suppliers, what’s the character of the major relationships and are there any inter-dependencies? We then assess the company’s funding needs, examine how these fluctuate, and evaluate the available balance sheet assets to ensure that we’re structuring a facility with sufficient headroom to meet their predicted and unexpected needs.

Our engagement with our customers is dynamic and hands-on, as it has to

“...looking to use asset-based finance strategically as an excellent tool for acquisitions, expansion and MBOs.”
technological solutions, in particular, to enhance our operational engagement with even slicker interactive platforms. And we’re devising new tools to reinforce the operational management of our customers. Our trade team’s direct Supplier Finance facility, for example, is a relatively recent innovation to help Treasurers improve their relationships with key supply chains. Devised as a ‘reverse factoring’ solution, it means we enter an agreement with a major corporate to fund their supplier. It’s a win-win – the supplier benefits from the major corporate’s credit standing with a cheaper rate plus immediate payment for goods delivered. The major corporate takes the benefit of either extending their credit terms or obtaining discounts for early settlement while strengthening the operational relationship with pivotal suppliers. For us, it’s about stimulating growth for our clients, whilst enabling them to maximise their available working capital finance and take advantage of market opportunities but in a cost effective manner.

be, to give us the fullest appreciation of the operational imperatives and the managerial spirit of the business. One of our audit executives will spend one or two days on site so we can really get to grips with the process and the mechanics behind the company’s working capital.

There’s a two-way benefit in this: We get a feel for the business, certainly, but we can also often provide some useful insights ourselves. We’re a fresh pair of eyes. We might see new opportunities for process efficiencies, for instance, or ways to minimise inventory levels or maximise realisation of receivables.

That’s integral to our relationship with our business partners – a role that aims to save finance, reduce costs and add real value. Customers that have been with us for 25 years or more can attest to this – businesses that have grown from £200m to over £1bn in turnover. That’s growth we have funded.

And, of course, as part of that role, we’re continually evolving the products and services we offer, looking to do things even more efficiently and effectively. We’re increasingly deploying

BOCM PAULS innovates with £90m ABL funding

BOCM PAULS, THE UK’s leading animal feed producer, has secured a £90m asset-based lending package from Lloyds TSB Commercial Finance to enable the firm to introduce new processes and technology to improve its green credentials.

Established in 1992, the £450m turnover business manufactures compounds, blended feeds and co-products for farm animals, delivering over two million tonnes per annum, and has an estimated 20% overall market share.

The company is utilising its improved cash flow to further develop its green credentials by reducing CO₂ emissions from all of its mills, cutting food sector waste by utilising human food co-products and developing new technology to help livestock producers reduce greenhouse gas emissions.

“In order to stay on top of this market, it is essential to have sufficient financial headroom to adapt to changing prices and to have the resources to implement innovative growth,” explains James Powell, Finance Director of BOCM PAULS. “We have worked with Lloyds TSB Commercial Finance for three years and this new funding package will ensure we are in a strong position to progress a number of new business and acquisition opportunities.”

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Lloyds TSB Commercial Finance offer a range of innovative, award-winning solutions designed to help businesses strengthen cash flow and fulfil their ambitions. Asset-based lending from Lloyds TSB Commercial Finance is a flexible form of funding which allows firms to secure finance against debtors, stock, plant and machinery and property.

To talk to an Invoice Finance specialist, call us on 0800 169 4356 or visit www.ltsbcf.co.uk
In a crowded marketplace, independent certification can be a key differentiator. And, as BM Trada Group Chief Executive DAVID WEBB points out, there are several business imperatives driving today’s burgeoning demand.

In today’s tough economic climate, businesses competing globally are being forced to raise their game. And an increasing number are finding that independent certification is an investment that delivers a clear competitive edge. For many, it’s growing customer demand that’s driving the 196% increase in the volume of certificates we’ve issued over the past three years.

In certain industries, there’s undoubtedly an underlying requirement for certification to be in place. In some cases, businesses won’t even get onto a tender list if they haven’t got certification. This is particularly true of the construction industry, for example, where having appropriate health and safety certification is a given. But other requirements might not be so obvious.

There can simply be a self-driven desire to differentiate. Marks & Spencer is a prime example. Their Plan A is heavily focused on social responsibility. Environmental obligations are a large part of that, so they’ll require suppliers to have appropriate independent certification in place when it comes to the sustainable sourcing of raw materials, such as timber.

There may be no hard-and-fast requirement for them to do all of this, but they obviously feel there’s an awful lot of reputation-building potential in marketing these credentials as part of their growth strategy.

The value of third party certification is precisely that it’s independently checked, rather than resting on a declaration by a business that it’s meeting self-set standards. The process of authentication gives customers and companies the assurance that the businesses they’re dealing with are meeting globally recognised standards.

And increasing globalisation is itself making this type of certification much more valuable. Goods are no longer just sourced locally: gone are the days when you could simply pop down to the factory and check quality. Businesses are now shipping goods in from suppliers as distant as the Far East and South America. This makes certification that much more meaningful – a huge reputational advantage to businesses and their corporate customers.

In the retail arena, too, businesses are conscious of a massive shift in consumer awareness. More and more people these days will be actively looking for the FSC logo featured in the front of this magazine, for example: they know it denotes an international standard in forestry management. They know it supports business and trade right through the supply chain – the printer will be looking for that in sourcing his paper; the publisher will seek that assurance from the printer; the Bank will expect that from its publisher; and, ultimately, the Bank’s stakeholders will want evidence of the Bank’s commitment to environmental sustainability.

Independent, third party certification is clearly more than just a box to tick – it actually provides businesses with a passport to trade.
At Lloyds Bank, we recognise that ambitious businesses need funding to take advantage of opportunities in today's challenging climate.

Here are just a few examples of the financial support we provided to customers in 2011.

**The Restaurant Group Plc**
- Credit Facilities
- Mandated Lead Arranger
- Co-ordinator & Facility Agent
- £140M
- October 2011

**Grainger Residential Management**
- Syndicated Credit Facility
- Bookrunner & Mandated Lead Arranger
- £840M
- September 2011

**Synergy Health**
- Multicurrency Revolving Credit Facilities
- Bookrunner & Mandated Lead Arranger
- Undisclosed
- July 2011

**Score Group Plc**
- Refinancing & Funding Package
- £18.5M
- July 2011

**Volex**
- Revolving Credit Facility
- Mandated Lead Arranger, Bookrunner & Agent
- $75M
- May 2011

**Northgate**
- Credit Facilities
- Mandated Lead Arranger
- £90M & €426M
- April 2011

**Persimmon Plc**
- Revolving Credit Facility
- Mandated Lead Arranger
- £300M
- April 2011

**Montpeliers**
- IRM Hedging Package
- Undisclosed
- April 2011

**The Edrington Group**
- Joint Private Placement Agent
- Sole Market Hedge Arranger
- Senior notes
- US$300M
- January 2011
Ever since they opened for business back in 2004, Hotel Chocolat has chosen to do things differently. When the chocolatiers decided to invest in their own cocoa plantation in St Lucia, we offered expertise and insight and have been with them ever since.

With our support, Hotel Chocolat now has 55 stores in the UK and USA, and annual sales in the region of £60 million.

When it comes to the business of chocolate, we have the perfect recipe for a successful relationship.

lloydsbankwholesale.com/hotelchocolat