



Laying foundations.

Deal Review
Property and Construction



BAKER TILLY



No one working in the property sector needs to be told that conditions have been tough. They are likely to stay that way for some time as the UK economy struggles to recover from the multiple shocks of the credit squeeze, an over leveraged consumer and an increasingly over leveraged state with all that entails for taxation and public spending for perhaps a generation to come.

Indeed, aside from banking, no other industry has been hit as hard by the changed economic climate. Property prices, both commercial and residential, fell quickly with the commercial sector particularly hard hit. High streets are littered with temporary traders or empty units further blighting surrounding property values and trading conditions. Empty spaces are becoming a more frequent sight fuelled by the abolition of empty rates relief. And with banks charging more for a smaller pool of available debt, there have been few buyers to support prices and activity.

It's a gloomy picture, exacerbated by the fact that a great many property companies are now burdened with operational structures that were designed for happier times. As a result they are grappling with both the realities of a depressed market and their own excessive costs.

However, amidst all the gloom there are glimmers of light. It would be wrong to suggest that we've seen activity freeze over completely. Property prices (residential and commercial) have shown signs of stabilising in recent months. While debt is harder to come by, banks are still prepared to lend, albeit at higher cost and lower debt to value ratios. Finance is also available from a number of specialist funds set up to invest in distressed debt or distressed property.

So what does the immediate future hold? We would expect property based businesses to continue to take steps to reduce costs and improve cash flow in the months ahead. But cost control will become more selective with an eye on retaining the ability to benefit from the upturn. The key theme over the next few months is likely to be consolidation as businesses move to strengthen their position in the market ahead of an anticipated recovery.

Baker Tilly's experience in working with property companies makes us well placed to help you face the challenges of a much altered marketplace. In the following pages we showcase just a handful of our property deals and you can see what our clients have to say about the work done by our talented people. Whether it was a trade sale, buy-out, acquisition or IPO, they all have one thing in common. Deals were delivered and delivered effectively by the Baker Tilly team.

We hope that this review will illustrate the excellent service offered to shareholders, management teams and financial institutions by our specialist team of deal doers and advisers and we look forward to providing further help in these undoubtedly difficult times. We would also like to thank everyone who has helped make these transactions happen and we look forward to working together over the coming months and years in what is, if nothing else, an exciting market!

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Client: **Vendor**

Transaction type: **Sale**

Sector: **Consultancy**



Sale of Andrew Martin Associates

Andrew Martin Associates (AMA) was sold to The Capita Group Plc, the UK's leading outsourcing company.

AMA is a town planning and urban design consultancy that is best known for its promotion of large strategic residential developments through the UK planning system. Capita had been searching for a planning consultancy for some time, and the acquisition of AMA completes their suite of consultancy services to the strategic development sector.

“Baker Tilly got us a fantastic result. The economy, and the property market in particular, were in turmoil after the initial offer was received from Capita but Baker Tilly still managed to negotiate a better deal. We have nothing but the utmost praise for Kirsty and Angus – for their invaluable advice and determination in getting the deal done in such a difficult market.”

Andrew Martin
Chairman
Andrew Martin Associates

Our role

Baker Tilly advised the shareholders throughout the transaction, led an international sale process during a challenging economic backdrop and delivered a deal with a strategic purchaser. The deal team was led by Kirsty Sandwell.

Client: **Management**

Transaction type: **Buy-out**

Sector: **Consultancy**



Management buy-out of Spring and Company Limited

Spring and Co, a well established project and construction management consultancy, completed a management buy-out led by the Managing Director, Philip Spring.

Spring and Co was founded in 1992 and has offices in Leeds, Manchester and London. The company provides a variety of project management and consultancy services to the property and construction sectors. Spring and Co has been involved in some of the UK's most prestigious retail schemes, including the Trafford Centre and the Lowry Centre.

Our role

Baker Tilly advised management, assessing the funding capacity of the company, structuring the deal, negotiating with the exiting shareholders, obtaining funding and project managing the deal through the legal stages to completion. The transaction was led by Adrian Gare and James Wild. Barclays provided funding.

“We chose Baker Tilly as our commercial advisers for our company restructuring because they seemed more proactive, helpful, user friendly and committed. Having completed the exercise we are pleased to report they have fulfilled our expectations.”

Phil Spring
Managing Director
Spring and Company

Client: **Bidder**

Transaction type: **Project finance**

Sector: **Infrastructure**



Financial Modelling support for healthcare tender

Miller Construction successfully tendered for the construction and operation of community health projects in Leeds, under the government funded LIFT programme.

The successful bid is the fourth such project Miller Construction have undertaken in Leeds, and further adds to their portfolio of infrastructure projects which spans across a number of sectors. This project had a Net Present Value of £29m and was funded with £21.4m of senior debt.

Our role

Baker Tilly developed and maintained the financial model on behalf of the bidders which was used by Aviva to underwrite their bond style financing. The transaction was led by Mark Stewart.

“The service delivered by Baker Tilly was first class. Their commitment to the project and ability to turn around requests in short, pressurised time frames was instrumental to the successful conclusion of this transaction.”

Tony Rowe

Finance Manager
PPP Unit,
Miller Construction (UK) Limited

Client: **Company**

Transaction type: **Admission**

Sector: **Support services**



AIM introduction of Mountfield Group plc

Mountfield Group plc was introduced to AIM having acquired the three companies prior to its admission. This was an introduction to AIM with no additional funds raised.

The group is comprised of three integrated businesses that trade under the parent company, Mountfield Group plc; Mountfield Building Group Limited, Mountfield Land Limited and Connaught Access Flooring Limited, which deliver a range of complementary construction and property support services.

The group intends to acquire additional businesses that will add further complementary services and cross selling opportunities.

Our role

Baker Tilly's London Transaction Services team acted as reporting accountants on the transaction. The assignment was led by Paul Watts.

Client: **Management**

Transaction type: **Buy-out**

Sector: **Construction**



Management buy-out of Lacy Roofing Limited

Lacy Roofing, a leading roofing contractor and investor and manager of residential properties, underwent a management buy-out backed by Allied Irish Bank.

Founded in 1971 in Liverpool, Lacy Roofing has over 35 years experience in traditional and modern roofing. Projects have included the Cavern Walks and St Georges Hall Buildings. In addition, the company has invested significantly in the refurbishment of buildings in Liverpool City Centre and now has a large portfolio of property to let in Liverpool.

Our role

Baker Tilly led the transaction providing support to the management team throughout the process. The Baker Tilly team helped put together the successful bid in a competitive tender situation despite not offering the highest price. In addition to this, Baker Tilly undertook the financial assistance, tax advisory work and has also been retained as the company's future auditor and tax adviser. The deal was led by Ian Latham.

"We were pleased with the work that Baker Tilly carried out for us before and during the MBO, and I'm sure they will continue to provide a high quality service."

Nick Hooper

Managing Director
Lacy Roofing Limited

Client: **Company**

Transaction type: **Rights issue**

Sector: **Consultancy**



Fundraising for Colliers CRE Plc

Colliers, an AIM listed top ten commercial real estate consultancy service, raised funds of approximately £15.9m via a rights issue for the development of its business.

Colliers provides a wide range of consultancy services including valuation, property management, building consultancy and investment advice to both UK and international clients across a variety of sectors. The company has offices across the UK, Ireland and Spain and is part of the worldwide affiliation, Colliers International.

Our role

Baker Tilly acted as reporting accountants to the company for the prospectus issued in connection with the rights issue. The transaction was led by Kevin Denham.

"One of the strengths has been continuity. The key members of the transactions services team have been the same for a number of years through all the major changes in the group's development. This means they have accumulated the knowledge to do the reporting accountant work efficiently."

Mark Sample

Group Finance Director
Colliers CRE

Client: **Acquirer**

Transaction type: **Acquisition**

Sector: **Management services**



Acquisition of the Peverel Group

The Peverel Group was acquired by a company, whose principal adviser was Vincent Tchenguiz's Consensus Business Group, for an enterprise value in excess of £450m.

Peverel is one of the UK's leading property management and freehold reversion companies, having originally been established as McCarthy & Stone's in-house management division. The acquisition, which was undertaken by a special purpose vehicle, Aztec Acquisitions Limited, represents a substantial increase in the acquirer's ground rent and freehold reversions portfolio.

“Baker Tilly was one of the major contributors to a successful transaction. Our long term relationship with Baker Tilly and its understanding of our business meant that even when we had some concerns about the acquisition not completing on time, the team kept us all on track to ensure that the timetable was kept. Our thanks go to everyone involved – great team work at every level.”

Bill Procter

Chief Executive Officer
Owners Provident Group

Our role

Baker Tilly provided extensive financial due diligence support, complex tax structuring advice and detailed financial modelling reviews for the acquirer and its funders. The acquisition team was led by David Worrow who was supported by Dave McCulloch.

Client: **Company**

Transaction type: **Bond issue**

Sector: **Sheltered housing**



Flotation and fundraising for Fairhold Securitisation Limited

Fairhold Securitisation, a newly formed special purpose vehicle, completed its admission to the Dublin Stock Exchange and the issue of £353m Euro bonds. A year later, it issued a further £90m of Euro bonds.

The bonds were secured against a portfolio of sheltered housing around the UK consisting of 335 properties and a total of 15,601 apartments for the initial bonds, with a further 71 properties and 3,077 apartments the subject of the further issue. The monies were used to refinance existing debt.

Our role

Baker Tilly acted as the reporting accountants in the successful admission of the company to the Dublin Stock Exchange. Additional services provided included the review of a complex financial model and taxation advice. The reporting accountant and taxation advice work was led by David Worrow, with Alistair Hynd leading the review of the financial model.

Client: **Management**

Transaction type: **Buy-out**

Sector: **Construction**



Management buy-out of Pinewood Structures Limited

Pinewood Structures, one of the UK's largest manufacturers of timber frame components was acquired by its management team.

Pinewood is a leading provider to residential and commercial markets, supplying major contractors and housing developers such as George Wimpey, St James and John Laing Partnership. The transaction allowed the founding shareholders to exit the business and management to secure capital for future growth.

Our role

Baker Tilly was introduced to the management team by Matrix Private Equity Partners who provided equity funding for the deal. Baker Tilly led the process through negotiations and due diligence, enabling the management team to focus on the business. Simon Mott led the transaction.

“The Baker Tilly team worked incredibly hard to ensure every avenue had been pursued to close the best deal for management. Their network of relationships among the venture capital and debt providers ensured a workable deal was tabled very early on in the MBO process. In the context of being up against a competitive trade offer, the team remained focused on ensuring management's bid was quickly assembled and competitive, while doing a great job at managing the expectations of the exiting shareholders.”

Geoff Arnold

Managing Director
Pinewood Structures

Client: **Acquirer**

Transaction type: **Acquisition**

Sector: **Social housing**



Acquisition of Widacre Limited

Inspace, the AIM listed specialist support service provider to the social housing and corporate markets acquired Widacre for £57.8m.

Widacre is the holding company of a number of businesses including Willmott Dixon Housing, one of the largest social housing providers in the UK and Widacre Homes, a growing affordable housing association. The transaction provides Inspace with greater access to the new build market and makes it one of the leading repair and maintenance service providers in the UK.

Our role

Baker Tilly undertook an in-depth financial due diligence review of Widacre to a demanding timescale. This included a detailed analysis of underlying historic performance; a critique of financial forecasts, including the working capital requirements and cash generation of the business; review of the underlying financial systems and controls; and analysis of the taxation position of the business. The transaction was led by Jim Clifford with support from David Horsburgh and Rick Bector.

“An extremely thorough and professional approach was delivered by the entire Baker Tilly team ultimately resulting in an in-depth analysis of the target business. Despite the challenging timetable, all key deadlines were met.”

Andrew Telfer

Finance Director
Inspace plc

Client: **Acquirer**

Transaction type: **Acquisition**

Sector: **Management services**



Acquisition of Solitaire Group Plc

Solitaire Real Estate Holdings Limited, a newco ultimately controlled by the Tchenguiz Family Trust, completed the £42.5m acquisition of Solitaire Group Plc, a leading national provider of property management services.

Solitaire Group Plc owned a large number of freehold reversionary ground rents, and provided a range of property management and related services to these and other properties.

Our role

Baker Tilly provided financial due diligence on Solitaire Group Plc for the acquirer and for the related fundraising. The financial due diligence was led by David Worrow.

Client: **Acquirer**

Transaction type: **Acquisition**

Sector: **Construction**



Acquisition of Coastal Windows Limited

A&B Glass Limited, a leading UK based manufacturer of PVC-U windows, doors and conservatories acquired Coastal Windows, consolidating its position as a leading independent PVC window supplier. The transaction strengthens A&B's presence in the South of England and also provides access to additional production capacity.

The acquisition of Coastal Windows marks the third transaction for A&B in recent years, having acquired Asset Manufacturing Limited in February 2005 and more recently FineLine (a division of the Elliot Group) in September 2006, both of which were advised by Baker Tilly.

Our role

Baker Tilly provided due diligence and negotiation support to Ray Byford the owner of A&B Glass for each transaction. The transactions were led by Stephen Orriss.

“A key element to the success of our acquisitions was the supportive, responsive and professional service Baker Tilly provided.”

Ray Byford

Owner
A&B Glass Limited

Client: **Management**

Transaction type: **Buy-out**

Sector: **Consultancy**



Management buy-out of Lambert Smith Hampton Limited

LSH, a leading national provider of commercial property solutions completed a £56m management buy-out from its listed parent WS Atkins.

LSH provides a wide range of commercial property services to a number of blue chip organisations including the BBC, BT, Hertfordshire County Council, Essex County Council and Network Rail. With over 900 employees and 30 offices across the UK and Ireland, LSH offers a full national capability to both the private and public sectors.

Our role

Baker Tilly advised the management team, coordinating all due diligence work and negotiating terms with both the vendor and HBOS Integrated Finance who provided funding for the transaction. Before approaching Baker Tilly, management had already been through two failed MBO attempts. After signing Heads of Terms, Baker Tilly completed the deal in less than five weeks. The buy-out was led by Rob Donaldson and Kirsty Sandwell.

“Baker Tilly provided an excellent service from start to finish. They threw everything at this deal. We had a tight timetable and some difficult issues to resolve. They were always there to guide us through and, most importantly, made a real difference.”

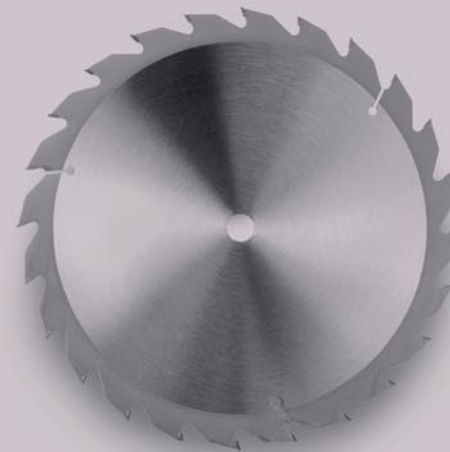
Mark Rigby

Chief Executive Officer
Lambert Smith Hampton

Client: **Acquirer**

Transaction type: **Acquisition**

Sector: **Construction**



Acquisition of Howie Forest Products and Howie Group

BSW Timber successfully completed the acquisition of Howie Forest Products and the Howie Group.

BSW Timber is already the largest sawmilling group in the UK and this will increase its sawn timber capacity to more than one million m³ per annum. The 56 hectare Howie Forest Products sawmill in Dalbeattie has a turnover of £30m and will remain a distinct entity within the BSW Group.

The merger of these premier Scottish sawmilling companies forms part of the long-term expansion drive aimed at enhancing the future profitability of the group and security to its customers and suppliers.

Our role

Baker Tilly provided due diligence to BSW Timber and RBS, who provided debt for the acquisition. The transaction was led by Andy Baker.

“Through their understanding of the key business drivers in the sector and their responsiveness and delivery the Baker Tilly team played a key role in the successful completion of what is a landmark acquisition for BSW.”

Howard Jones

Finance Director
BSW Timber

Client: **Acquirer**

Transaction type: **Acquisition**

Sector: **Consultancy**



Acquisition of Hamson Partnership

NPS Property Consultants acquired Hamson Partnership, a chartered surveying business which delivers a comprehensive range of professional services for the effective management of property.

NPS is a property services business ultimately owned by Norfolk County Council and provides consultancy services to public and private organisations. Baker Tilly had advised NPS on two previous acquisitions, including the acquisition of an architectural practice and an engineering consultancy business.

Our role

Baker Tilly carried out financial due diligence on the acquisition and advised NPS on the deal structure. The due diligence work was led by Stephen Orriss and Simon Stafford.

"The Baker Tilly team were able to quickly identify the issues facing the target business, clearly communicate them to us and provide us with commercial solutions. We have worked with Baker Tilly on several acquisitions now and look forward to working with them on further deals in the future."

Glen Reynolds

Group Finance Director
NPS Property Consultants Limited

Client: **Vendor**

Transaction type: **Sale**

Sector: **Construction**



Sale of Kendall Cross Holdings Limited

Galliford Try Plc, one of the UK's leading construction and housebuilding groups, acquired Kendall Cross Holdings, a specialist affordable housing contractor based in the North East of England.

Kendall Cross has an impressive track record in partnering with major housing associations and local authorities, including North Tyneside Council and the National Trust. The deal enables Galliford to strengthen its expertise and provides a platform to develop its presence in the north east region.

Our role

Baker Tilly advised the vendors on the sale to Galliford Try Plc. This included leading the transaction through the entire sale process, negotiating on the vendors' behalf, deal structuring and taxation advice. The transaction was led by Angela Toner with strategic taxation advice provided by Jim Meakin.

"Having never been through a transaction like this before it was great to have the Baker Tilly team on board as our advisers. They were there for us every step of the way, supporting us through the transaction. We would certainly recommend them."

Neil Ramsay

Managing Director
Kendall Cross Holdings Limited

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About Baker Tilly

Baker Tilly is a leading independent firm of accountants and business advisers that specialises in providing an integrated range of services.

We provide our growing and established business clients with audit, accountancy, personal and corporate taxation, VAT, management consultancy, corporate finance, IT advisory and restructuring and recovery services.

The firm has national coverage through its network of offices and is represented internationally through its independent membership of Baker Tilly International.



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