

Sterling Corporate Finance: An intermediaries view

Two partners established Sterling Corporate Finance seven years ago in Leeds. The partnership is a corporate finance practice that undertakes management buyouts, acquisitions, disposals, due diligence and specialises in management buy ins. Three years ago the firm expanded to three partners and began to work in the turnaround and insolvency sectors, completing prepack insolvency transactions and buyouts from administration. Sterling have introduced a number of more traditional funding proposals to SYIF over the past couple of years but one recent investment was supporting a buyout from administration. Graham Camm (pictured right), one of the partners, tells us more.



Since the Enterprise Act was passed in 2003 a rescue culture has been encouraged which has fuelled the boom in transactions for 'pre-packed' insolvency deals and buyouts from administration. Businesses fail for all sorts of reasons but often they can be restructured via an insolvency enabling a profitable business to emerge. Key to this market is very quick action on the part of the business, the advisers and the funders.

One example of this is where Sterling Corporate Finance assisted an acquisition of Doncaster Packaging Limited. Doncaster Packaging Limited (DPL) was part of the Corpack Industries Group that went into administration in November 2006. At this time the business turnover was £10m.

The Doncaster based packaging converter, primarily focused on manufacturing transit packaging. The company operated from two premises employing 102 people. Historically DPL had been highly profitable, but the loss of a significant and profitable customer, and the replacement of this turnover with less profitable work, led to a significant reduction in

gross margin and resulted in trading losses. The Group reorganised the management team with Stacey Austin (Operations Director) and Janice McCafferty (Finance Director), being asked to take on the running of the business.

The pair implemented a turn-around strategy. They cut the night shift, improved efficiency and this allowed the business to make a small profit in October 2006. Despite this, the group was forced into administration due to underperformance in other areas of the business and Stacey and Janice launched a bid to buy the business of Doncaster Packaging and implement their long term strategy.

Sterling Corporate Finance assisted Stacey and Janice to buy the trade and assets of Doncaster Packaging Limited and to relaunch as Donbox Limited. Sterling also helped in the production of a business plan and forecasts, the raising of finance and negotiation of the transaction with the administrator.

Funding to buy the business was raised from Five Arrows Commercial Finance who also provided

working capital finance but further finance was also needed to implement the restructure and provide headroom. SYIF responded very quickly to the call for assistance. They met management within a day of the first contact from Sterling and had a decision to provide a loan within 48 hours of having the business plan and forecasts. The SYIF investment helped to save over 100 jobs at the two plants.

Karl Hodson, Investment Director with SYIF who led this transaction said:

"We were very pleased to support the management team with this buy out - its growth plans will help safeguard over a hundred jobs. Buy outs from administration are always high risk and difficult for us. However in this instance the administration arose from problems with a wider group of companies and our facility will help to ensure the success and sustainability of the company going forward. Importantly, the business had already shown evidence that the management team's turnaround strategy was proving successful before the administration."

South Yorkshire Investment Fund

...profile

Investing In Business In South Yorkshire

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Seedcorn Fund helps first business

BiBCOM kicks off the new fund: From the left is Martin French, company mentor; Easa Taheri Oskouei, of BiBCOM; Jonathan Dixon, of SYIF; and Rod Brew of SYIF.

A brand new pilot fund set up to specifically help South Yorkshire businesses to pioneer new technologies has awarded its first tranche of investment.

South Yorkshire Investment Fund's (SYIF) Seedcorn Fund has been established as a pilot to test ways of financing innovative businesses to take new technologies to market and the first recipient is Sheffield based BiBCOM Ltd, with a £120,000 investment.

Easa Taheri Oskouei, Managing Director of BiBCOM Ltd, sourced the Seedcorn funding for his BiB invention, a remote monitoring system working through mobile phone technologies, which allows the user to check a remote location.

The original application was Baby-BiB, which allows parents to check on their children.

BiB is a software application, which works through a normal mobile phone but enables the phone to be used to transmit live video footage of the child and surroundings.

The video camera on the phone is activated via 3G technology, once the parent calls the handset from another phone. The caller can then both see and hear the child in real time.

BiB-Sense is also available as an extra electronic accessory that broadens the use of this technology in many other sectors, including sheltered homes and care centers.

Easa said: "The idea originally came for Baby-BiB, as a solution both for consumers and the mobile phone industry. As the father of a young child, I know how important it is for parents to check their children are OK when they're apart."

"Using Baby-BiB, parents keep an eye on their children at any time, even when the children are asleep and you don't want to disturb them with a phone call.

"From the mobile phone industry's perspective, recent developments in 3G technology mean mobiles are capable of considerably more than they are currently offering."

Phone companies are keen to discover different services that will use this 3G technology, and BiB is exactly the sort of service they are looking for.

BiB uses the most advanced network security technology available to prevent unauthorised access by a third party.

"The £120,000 funding from South Yorkshire Investment Fund enabled me to put real marketing measures in place and launch the product with the kind of profile raising measures that would get it noticed, backed by a website through which the product can be purchased and downloaded."

Easa has now got the interest of many local authorities, which see the BiB products as a potential solution to communications problems in sheltered housing where there is no landline connectivity. He has also had an expression of interest from a large northern local authority over agency rights and licensing of the product.

Rod Brew, Investment Manager at SYIF, said: "Easa approached SYIF directly and after considering his strong background in engineering and his business plan to accelerate the growth of his company, we decided that he was a perfect candidate for the Seedcorn Fund."

Alongside the funding which Easa was eligible to receive, SYIF were also able to appoint Martin French from their Mentorbank to help Easa with business decisions and marketing plans.

Bibcom was advised and secured part-funding for the marketing project through Business Link South Yorkshire and Objective 1.

Two payment options launched

South Yorkshire Investment Fund has launched two options for payments of interest rate rebate subsidy for new clients applying for loans from the Small Business Fund - with effect from May 1, 2007.

As you will be aware from recent communications there has been a change to the way SYIF make the interest rate rebate subsidy and mentor fee subsidy payments under its Money with Management agreement. This follows confirmation from Objective 1 that SYIF will be unable to make claims beyond September 2008.

To date we have been able to accelerate payments so that existing clients can receive the full rebate that was agreed at the time of their loan being approved. We have now contacted all affected clients and have given them an amended schedule that will set this in motion.

For new clients, applying for loans now, there are two options that will be available. Either receiving the appropriate proportion of Interest Rate Rebate until September 30, 2008 - or receiving the full rebate by paying all the interest up front. Both options will be offered to prospective clients and a detailed schedule will be provided allowing them to choose the option which best suits their needs.

These options only apply to Small Business Fund loans of between £15k and £150k, our Capital and Development Fund team will deal with each investment on a bespoke basis to ensure that the maximum Interest Rebate Subsidy can be claimed.

By giving the client the option to claim the full interest rebate up front we aim to make sure we continue to offer gap finance at an affordable level.

For full details of the two options available and to receive a quotation, please contact SYIF's enquiry line on 01709 386377 or one of the investment managers.

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Full steam ahead for Doncaster's Techtrain

It's full steam ahead for a Doncaster company after enjoying success in the railway industry.

Techtrain Associates Ltd, based at Richmond Business Park, Doncaster, maintain and service air conditioning units on train fleets across the country, including OneAnglia, Scotrail and the Orient Express.

The company also provides training in spares and refrigeration engineering to hundreds of people every year.

South Yorkshire Investment Fund has assisted Techtrain to reach the next station, by providing a £50,000 loan. The money will be used to employ two new staff - an engineer and a trainer - purchasing tools and equipment and to upgrade their computer system.

Janet Stevenson, Director at Techtrain Associates, said: "The training courses range from a two-day intensive course to a 15-day session. People from all over the country come to us to be trained, many who have

served their time with the armed forces. We give them the certification needed to go and get a new career.

"As we provide certification for the industry, a lot of rail engineering companies from all over the UK use Techtrain to train their staff."

Techtrain has been running for ten years, but in 2004 the company decided to bring the training programme in-house at a specific centre in Doncaster.

"It proved to be the right move and things are progressing nicely," added Janet. "We hope to continue the success and the company's growth in the coming years."

Nick Skelton, of Crozier Jones & Co, a Doncaster-based firm of Chartered Certified Accountants, introduced the company to SYIF, while also helping Techtrain with their business plan.



Pictured from the left are: Ruth Charnock from Crozier Jones, Janet Stevenson, Director at Techtrain Associates and Tony Parsons, Non-executive Director at SYIF

Karl Hodson, Investment Director at South Yorkshire Investment Fund, said: "Techtrain provides a valuable service to help people gain the training and certification they need to develop a new career."

"This is an example of a South Yorkshire based company enjoying success on a national level. At South Yorkshire Investment Fund we are pleased to help such a business continue their growth."

South Yorkshire Investment Fund Ltd is a company limited by guarantee (Registered No 3936065). South Yorkshire Investment Fund comprises three sub funds, the South Yorkshire Investment Capital Fund, the South Yorkshire Investment Development Fund, which are each managed by YFM Venture Finance Limited, and the South Yorkshire Investment Small Business Fund, which is managed by Finance South Yorkshire Ltd. YFM Venture Finance Limited (Tel 0113 294 5000) and Finance South Yorkshire Ltd (Tel 01709 386 377) are each authorised and regulated by the Financial Services Authority. South Yorkshire Investment Fund also provides a number of services, which are not regulated by The Financial Services Authority. These include the pilot Seedcorn Fund, Mentorbank and access to the Yorkshire Association of Business Angels.



Part funded by the European Regional Development Fund.

If you have a business in South Yorkshire then the Fund wants to hear from you.
Call 01709 386 377 or log on to: www.syif.com

To subscribe to an electronic version of this newsletter visit www.syif.com/subscribe

Welcome...



...to the fifteenth edition of Profile!

It's been an exciting few months at SYIF with the launch of the pilot Seedcorn Fund and we've also completed our first Seedcorn deal. The Seedcorn Fund means SYIF has £4.6 million to invest in early stage technology and knowledge-based businesses in South Yorkshire and the fund will be run to test demand and trial a number of innovative approaches to deal development and portfolio management. For SYIF it fills a gap that we have had for investment in innovative, early stage pre-revenue businesses.

In this edition you can read about the recent Seedcorn Fund briefing event, held at the Innovation Centre, on the Advanced Manufacturing Park in Rotherham. If you attended the event, I hope you found it extremely useful, if you didn't and want more information on the fund, please call Jonathan Dixon, Deputy Chief Executive on 01709 386392 or email jonathand@syif.com for more details.

The first Seedcorn Fund deal we completed was with Sheffield company BiBCOM Ltd. I now look forward to seeing the business grow with the help of this funding.

This edition also shows a range of other businesses who have benefited from investments and loans from SYIF. We provide loan and equity linked investments, ranging from £15k to £2.5m, specifically to help small and medium businesses meet the gaps in funding they need for growth and development. If your company is requiring financial assistance, give us a ring on 01709 386377 or email us at info@syif.com and we can explain how we can help you.

I hope you enjoy reading this latest issue of Profile!

Tony Goulbourn
Chief Executive
South Yorkshire Investment Fund Ltd

New prestigious base for Barnsley company



Pictured from the left are Charles Lilley, of the Capex Group; Paul Howell, of HSB; Rob Watson, of Gibson Booth, and Kevin Steven of SYIF.

A successful Barnsley-based company that specialises in working within the health sector has moved to new premises thanks to a £50,000 loan from South Yorkshire Investment Fund.

Capex Group was formerly based in the Barnsley Business and Innovation Centre (BBIC) based at Wilthorpe. Capex has spread its wings and moved to a prestigious new office at the borough's new Capitol Park development in Barnsley – just off junction 37 of the M1.

Set up just five years ago, the company has gone from strength to strength and now employs 50 staff recruited locally.

Capex Group works exclusively in the health sector implementing technology. The group comprises two

companies – Capex Health IT, which provides health IT products and services, for example software supporting health professionals in hospitals, and Capex Health Services which provides a range of technology-based health services such as Genio, a new online antenatal screening service offering pregnant women greater choice than the standard service available from the NHS.

Charles Lilley of Capex Group, said: "The loan has helped us to move to new prestigious premises in Barnsley's latest development area, with good access to the motorway network. The move will provide the company with an ideal base to build on its plans for growth."

Kevin Steven, Investment Manager for SYIF, said: "The Capex Group is the type of organisation we want to be involved with. It is highly successful and provides jobs for residents from the surrounding area. We wish them all the best for the future."

Sheffield firm's future secured by MBO

From the left are Andrew Marsh, of Barclays; Mary Broadhead of SYIF; Mike Lancashire, of Abtech; Tony Moran, of Abtech; and Martin Venning, of GVT.

The future of a hi-tech Sheffield company has been secured through a management buy out (MBO) by the firm's Joint Managing Director.

AB Controls and Technology (Abtech), a principal supplier of hazardous use electrical enclosures and junction boxes and a market leader in the supply of electrical sensor systems, is set to enjoy a profitable future at its Attercliffe site.

The MBO was facilitated by a South Yorkshire Investment Fund loan, with additional funding from Barclays Bank, to Drishaun Holdings Ltd, parent company of the Abtech group of companies.

Mike Lancashire, Joint Managing Director of Abtech, bought the company assets from his retiring Chairman and Joint Managing Director, Peter Bennett, with a view to maintaining the Sheffield business and saving its valued workforce.

Mike said: "Peter Bennett is a brilliant entrepreneur, with total commitment to his workforce. I felt strongly that his vision for the company had a lot of mileage and that with my intervention we could safeguard the jobs of good, loyal employees and keep a high quality business in Sheffield following his retirement.

"The company is in very good shape thanks to the help we have had from SYIF and we have taken on five new employees in the first quarter of 2007, with a view to further expand the company."

The Abtech group of companies encompasses two daughter companies, AB Controls and Technology Inc in

North America and AB Tech Gehäuse GmbH in Germany, with plans to open more international offices.

"To meet increasing demand for our products in the international marketplace, we are set to open an office in Singapore and another in Korea within the next 12 months," said Mike.

Abtech's range of products includes custom made increased safety, industrial electrical junction boxes and a vast range of sensor and vision systems for industry, complete with packaged software.

To help Mike with commercial decisions and to encourage sound business practice, Abtech also has the support of business mentor Martin Venning of Goodband Viner Taylor, as part of SYIF's mentorbank facility.

Abtech were introduced to the services of SYIF by Claire Davis, then of Goodband Viner Taylor.

The company banker for Abtech is Barclays, led by Andrew Marsh.

Mary Broadhead, Investment Director at South Yorkshire Investment Fund, said: "Abtech is a dynamic and pioneering company, with a dedication to both business development and to its workforce. SYIF is pleased to be able to help facilitate this management buyout and we look forward to seeing the company's international growth."

Top marks for SYIF's customer service

SYIF has received the seal of approval for first class customer service.

SYIF has just achieved the Putting the Customer First® quality assurance standard – for doing exactly that! SYIF passed the assessment with flying colours first time – something which only twenty-five percent of organisations usually achieve.

Putting the Customer First® is the national standard for customer service – and organisations have to adhere to high standards to achieve the award.

Assessor Carol Probyn said: "The overall performance of SYIF is excellent as demonstrated by achieving full

compliance with the Customer First Standard at the first attempt. SYIF is clear about its future direction and what it needs to do to achieve its aim to become self-sustaining. I was left with an overall impression of an enthusiastic and motivated workforce characterised by a commitment to deliver high standards of service to each customer group. The senior management team provide strong leadership and direction which is reflected in SYIF performance and the enthusiasm and positive attitude of staff."

Chief Executive of SYIF, Tony Goulbourn, said: "This is a fantastic achievement, I am really pleased we have received this recognition. All of our staff work so hard to please our clients and this is a reflection of their hard work and commitment."



SYIF Chief Executive Tony Goulbourn is pictured (left) with David Moody, SYIF Chairman, holding the Customer First award. They are surrounded by members of the SYIF team.

Seedcorn Fund launch success

SYIF's launch of the £4.6 million pilot Seedcorn Fund was a huge success with more than 120 business advisers and intermediaries attending.

The fund aims to invest into early stage technology and knowledge-based businesses over the next two years. Filling a significant gap in the financing market, the Seedcorn Fund will benefit ventures which may be seen as too high risk by mainstream investors, offering a secure future for innovation in the region.

The briefing event, held at the Innovation Centre at Rotherham's Advanced Manufacturing Park, was an opportunity for advisers who work with early stage technology based businesses to find out more about the funding available, hear the portfolio and investment criteria and question a panel of experts.

The Seedcorn Fund is available to help ventures that are based on new and innovative technology with ideas that have strong potential and once in the market, are capable of rapid growth.

The fund provides two key areas of investment. The first is the Proof of Concept with up to £75,000 available to start-up businesses which have a technically proven product but need to fix their position in the market.

The second part of the fund is called Commercialisation – which will place follow-on investment in tranches of up to a total of £500,000. This will be invested into businesses which are likely to have made some progress in their market but need further investment to become established and move into profit.

Financial progress for BME Business Forum

Black and Minority Ethnic (BME) businesses will be given increased access to the financial support available, thanks to help from SYIF.

The city's BME Business Forum has been brokering a series of meetings with banks and finance providers to outline the needs of BME businesses.

Forum Co-ordinator Bernadette Grocock said finance is one of the most frequent areas of concern for forum members and that there is often a lack of understanding on both sides as to the help required and support available.

But following on from the Forum's Accessing Finance event last year, which was sponsored by South Yorkshire Investment Fund, Bernadette and SYIF Chief Executive Tony Goulbourn have been working with banks and other financial organisations.

Said Bernadette: "Tony and I have been meeting with several key banks and financiers to discuss the financial needs of BME businesses and how we can all work together to meet those needs more effectively. The meetings have been incredibly productive."

Alastair Watson of Lloyds TSB Bank, who is also a director of Pro South Yorkshire, helped to organise and co-ordinate the meetings with key leaders from the banking community.

Tony Goulbourn said: "I'm delighted with the progress that has been made at these meetings. The language of finance can be complex and knowing who to turn to and what they are able to offer can be confusing.

"Through organisations such as the BME Business Forum, SYIF and the banks working together, hopefully we can enable more entrepreneurs find the support necessary."

The Forum is planning to host a second Accessing Finance event later in the year.

For further information about the BME Business Forum contact Bernadette Grocock on 0114 281 4748.



Pictured from the left are the SYIF Seedcorn Fund team: Chris Fitzsimmons, Mark Rahn, Rod Brew, Jonathan Dixon and Tony Goulbourn.

Tony Goulbourn, Chief Executive of South Yorkshire Investment Fund, said: "We had a great turnout to the launch event. It's exciting that so many people are interested in finding out about Seedcorn funding. Just like our other funds, the Seedcorn Fund will be run on sound commercial lines with all the discipline of a traditional fund. For SYIF, it will help us to fill the gap that we have for investment in innovative, early stage businesses.

"The new fund will also fill the gap in the local finance market for ventures that are often seen as too risky by mainstream finance providers. For South Yorkshire, it will help to attract and retain the kind of businesses that will shape our economy for many years to come."

For more information on the fund please contact Jonathan Dixon, Deputy Chief Executive of SYIF on 01709 386392 or email jonathand@syif.com. Alternatively, for an application form, email application@syif.com