

Business advisory
Financial services

Is your corporate structure fit for the challenge ahead?*

Corporate simplification

*connectedthinking

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Research on groups of companies in the FTSE100 shows that almost 50% of their subsidiary companies are inactive.

Reducing the “Corporate Footprint”

Dealing with dormant and commercially inactive companies

Reducing the Corporate Footprint - i.e. the number of legal entities in a business enterprise - achieves cost savings, minimises the corporate governance burden and helps businesses compete in a down-turn. However, research on groups of companies in the FTSE100 shows that almost 50% of their subsidiary companies are inactive, confirming that even the largest businesses may not have adequate processes or resources to properly align their corporate structures to their operating needs.

Currently, there are just over 16,000 annual returns submitted in Jersey and Guernsey respectively every year. A number of companies are struck off the register every year, although these can be reinstated by creditors at any time in the future, which could have serious repercussions.

Should shareholders allow a company to be struck off they might experience difficulties in setting up a new Jersey or Guernsey company in the future.

It is our experience that prospective clients in these circumstances may be reluctant to deal with their dormant or commercially inactive companies for a variety of reasons, such as:

- Costs - unrealistic perceptions of costs involved.
- Status quo - directors’ concerns that reviving legacy issues may disrupt the current status quo or a lack of understanding of what the subsidiary was set up for in the first place.
- Resource - a project of this nature may deflect company staff from their regular ‘day-job’.
- Knowledge - companies may have little or no experience in the elimination of subsidiaries.

In this document we set out how we can assist you to simplify your company structure as well as highlighting the advantages of doing so.

Benefits of a corporate simplification

The major benefits of corporate simplification are:

- Reduces the cost of complexity by eliminating recurring compliance - typically costs of dissolution are recovered within 12 to 15 months.
- Minimises any residual risk for the group and directors.
- Simplifies inter-company transactions and may mitigate transfer pricing exposure.
- Reduces risk of corporate governance failures/breaches.
- Prevents loss of legacy corporate memory.
- Management left to concentrate on live business issues.

How PwC CI can help:

Our approach and processes involve the analysis and recommendation of the most appropriate solution, designed to simplify the group structure in an efficient and cost effective manner. Our Channel Islands team of specialists is able to assist you in a range of ways:

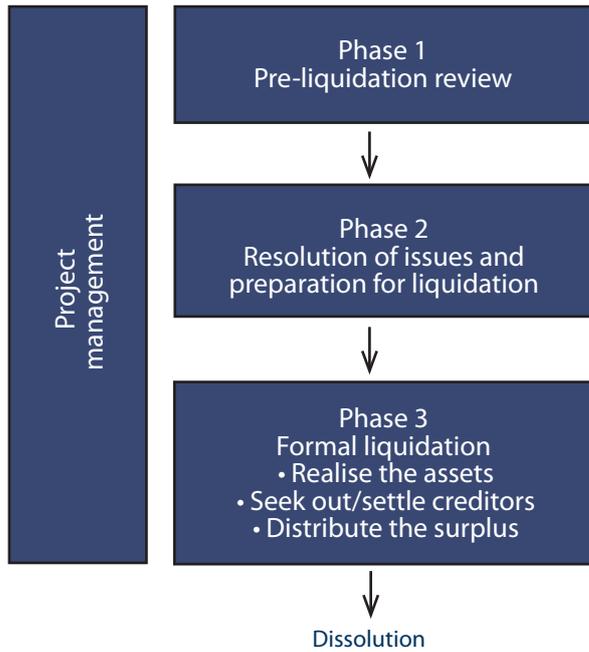
- Conducting a tailored review we categorise and qualify companies for the appropriate elimination process.
- Advising and assisting on the resolution of legacy issues such as taxation and related advisory matters.
- Driving large projects, both here in the Channel Islands and through our network spanning 100 countries.

The scope of our role can be as extensive or as narrow as required:

- Support and work with in-house corporate simplification teams (the latter undertaking the bulk of the work); or
- Undertake the whole liquidation assignment, with minimal time input from our clients' management.

The corporate liquidation procedures differ slightly between the two Islands, so we adapt our services and team as appropriate and work together with our clients to formulate a way of working that suits them. This is especially important when dealing with a group with entities in both Islands or further afield.

Our approach



Project staging model

At every stage of the liquidation process our team will be on hand to advise, support and work with you.

Three phases

To ensure that projects run in a timely manner and to avoid any unforeseen issues, we split the liquidation services into three distinct phases:

Phase 1 (pre-liquidation review)

A tailored review designed to identify:

- Issues which must be addressed to take the companies from their present position through to dissolution.
- Known creditors and contingent liabilities.
- Assets and contingent assets.

Phase 2 (resolution of issues and preparation for liquidation)

We work with the in-house team and your legal advisors, to resolve any issues prior to entering liquidation.

Phase 3 (formal liquidation)

This three phase plan helps us highlight issues relevant to each of these stages on a timely basis and find the best solution for our clients.

The PwC CI Team

Our team

Our Channel Islands team is located across both Jersey and Guernsey, providing a dedicated corporate simplification service to both Islands.

Together we have efficiently dissolved hundreds of structures, ranging in size from just one entity through to assignments involving multiple entities across multiple jurisdictions. Our team has experience in a wide variety of industries, from trading companies through to complex fund structures coming to the end of their terms. We believe this varied experience puts us in a unique position to offer a distinctive and unparalleled service to our clients.

Our Experience

- Acted as the liquidator of HSBC European Absolute Limited, a multi currency listed fund of hedge funds. Oversaw the scheme of arrangement which included a roll over option into another listed fund.
- Advised on the restructuring of a multi class property fund as a result of a significant movement in its forward foreign exchange contracts.
- Acted as the liquidator of M&G Income Investment Company Limited and M&G Recovery Investment Company Limited, two listed split capital funds invested in bonds and equities. Oversaw the scheme of arrangement which included a roll over option into another funds in the M&G stable.
- Oversaw the liquidation of Man Alternative Investments Limited, a multi currency fund of hedge funds.
- Oversaw the liquidation of Exeter Equity Growth & Income Fund Limited & Exeter Investments (Guernsey) Limited. The fund was a dual company split capital fund where the company issuing the ordinary shares had to enter compulsory liquidation.



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Mark James
Partner, Jersey

Role

Mark leads the PwC Channel Islands Private Banking Focus Group and Forensic Services in the Channel Islands. He is also responsible for restructurings including liquidations in Jersey.

Relevant experience

Mark has been a Partner since 1997 and spent three years with PwC West London office, returning to Jersey in May 2007. Mark is responsible for the audit of a number of clients based in the Channel Islands in Banking, Funds and Trust arenas.



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Nick Vermeulen
Director, Guernsey

Role

Nick leads our Risk Assurance Services group in the Channel Islands and is responsible for restructurings including liquidations in Guernsey.

Relevant experience

Nick has been a Director since July 2006. He holds a first class degree in Computer Science from Manchester University and after graduating he worked for Logica CMG in London. In 1994 he joined PricewaterhouseCoopers to train as a Chartered Accountant qualifying in 1997. Post qualification he worked for the Canadian firm of PricewaterhouseCoopers in their Banking and Capital Markets division based in Toronto.

Nick has been responsible for liquidating a number of open and closed ended investment vehicles including listed fund of hedge funds and split capital funds. He is also responsible for the audit of a number of clients who are based in the Channel Islands in the insurance, banking and funds arenas.

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