



# Dipford Group PLC

## Background

Dipford Group PLC was an AIM listed business broking operation comprising three separate businesses acting as agents for the vendors of small and medium sized businesses across the country. Profits averaged £1m in 2006 and 2007 but the onset of the credit crunch substantially reduced the numbers of businesses being sold and the group began to incur trading losses.

Attempts to sell the business failed and given the increasingly difficult trading situation, Dipford was de-listed from AIM. Steps were taken to restore profitable trading but as the economic situation worsened, creditor pressure mounted and there was a real risk that the June salaries may not be paid.



## MCR Involvement

The increasing creditor pressure finally overwhelmed the cashflow and forced the Directors to seek insolvency protection. David Whitehouse and Philip Duffy of MCR Manchester were appointed Administrators on 30th June 2008 over two of the three Dipford companies. Immediately prior to the failure HSBC sold its mortgage debenture and the associated debt of £1.9m to a Manchester based specialist lender, Inhoco, for an undisclosed sum.

MCR rapidly concluded that the two businesses in Administration needed to be sold swiftly in order to preserve the goodwill of the businesses and to maximise realisations. Although some costs could be rationalised, a prolonged Administration would result in unacceptably high trading costs and the brand value being severely eroded by competitors who had erroneously begun to advise the client base that Dipford had ceased trading altogether.

A rapid marketing exercise was conducted, negotiations were re-opened with the previously interested buyers and three interested parties were shortlisted. Only one of these potential purchasers was interested in acquiring all the Dipford group assets including the third subsidiary not placed into administration, notwithstanding its liabilities being in the order of £2m. A sale was completed on the 11th July for £0.4m. MCR also began the process of returning £0.4m of advance deposits, held on trust, to clients.

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## Outcome

The outcome of this short Administration has been to secure a new owner for the two failed Dipford businesses and the third solvent business that was still trading profitably, thus preserving the group's enterprise value to the fullest extent possible. The group's overhead base has been reduced to more manageable levels and the majority of jobs have been protected. The secured lender, Inhoco, will fully recover its exposure to the two failed businesses. MCR's decision to pursue a rapid sale minimised costs and limited the damage to the Dipford brand which would have resulted from a lengthy Administration.

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## Client Testimonial

*"MCR's rapid assessment of this case and the swift sale process helped to greatly reduce costs and to preserve much of the enterprise value of the entire Dipford group, delivering a very good result notwithstanding very difficult trading conditions."*

**Senior Management Team - Newco**

*"delivering a very good result notwithstanding very difficult trading conditions"*

### **FOR FURTHER ASSISTANCE, PLEASE CONTACT**

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