



**IAN GUIDER**  
TALKS TO  
**NEIL HUGHES**  
MANAGING  
PARTNER,  
HUGHES BLAKE



Neil Hughes: 'If we could go from 1% to 20% [of companies going for examinership] that could be 400 companies a year [saved]. You could be talking up to 10,000 people remaining in employment rather than ending up on the live register'

MARK CONDREN

# 'There is no doubt that examinership works'

#

**THE HUGHES CV**

**Age:** 38

**Family:** Married, one daughter. Lives in Clontarf

**Hobbies:** Plays basketball and the guitar

Neil Hughes, a leading expert in examination, believes that if more companies used the process, thousands of jobs could be saved

**N**EIL Hughes isn't the type of person most struggling companies would want to see at the moment. But as one of the country's leading insolvency experts, his services are in demand.

"There's been a lot times when people have said to me 'I hope I never see you again!'"

But is it not as a corporate undertaker that Hughes, managing partner at Hughes Blake, has built his reputation? The 38-year-old is recognised as an authority on examinership, rescuing companies that would otherwise fall into liquidation. It is a specialist area that has boomed since the economy collapsed and Hughes Blake has seen about 75 companies through the process in the last 10 years, including the successful rescue of Shamrock Rovers football club.

It's a pity, he told me in Hughes Blake's office in Dublin city centre, that more companies who are facing insolvency don't take advantage of the examination process. It is rare to find an example of a company that has gone through it and not survived.

Of all the companies that face insolvency, just 1% seek a High Court-appointed examiner, with the rest either

going into liquidation, voluntarily winding up or coming under the thumbs of a receiver. In the US, 23% of insolvent companies enter chapter 11 bankruptcy, a form of protection from creditors similar to examinership and come out the other side. In the UK, 17% of companies go into administration and find a solution to their troubles.

"I think those statistics are not being talked about, particularly as people are scrambling for options for the economy. If we could go from 1% to 20% [of companies going for examinership] that could be 400 companies a year [saved]. You could be talking up to 10,000 people remaining in employment rather than ending up on the live register," Hughes says. "There is no reason the statistics should be so diverse. There is no doubt in my mind it works."

"I think there is a view out there - which is the wrong view - that examination isn't accessible to all companies because it has to be done in the High Court. If you are in an SME in Donegal, the concept of recruiting a legal team and heading down to the High Court to secure the appointment of an examiner doesn't seem practical. My view is that examination should be taken out of the High Court and should be run in the circuit courts or the district courts."

Corporate recovery may be the bread and butter for Hughes but he is also interested in ensuring the recovery of the overall economy.

Integra International, a worldwide group of accounting firms to which Hughes Blake is affiliated, were brought to Dublin last week to try and tempt them to advise their clients to consider investing in Ireland.

"For all that's happened this is a still a great place to do business. Taxes are low and costs are coming down. We can see that from the work we do. Wages are coming down and so are rents."

The recession has claimed many victims, with household-name companies falling into liquidation or receivership. Why is the number so high, given the

49

The Celtic Tiger was a negative factor for management skills in Ireland. There was an entire generation of owners and managers who lost some of the skills of careful husbandry of reserves

huge profits made during the boom years, I ask Hughes.

"The Celtic Tiger was a negative factor for management skills in Ireland. There was an entire generation of owners and managers who lost some of the skills of careful husbandry of reserves, cutting costs and common-sense things. There was a certain mindset that built up among those who just could not see the requirement to dispose of high-value assets. When it came to the hard decisions of compulsory redundancies and asset sales, there was a mental block. They couldn't cut the costs."

Not all responsibility, though, for companies running out of cash can be put down to hubris and the reluctance of businesspeople to accept that times have changed. "I think from the point of view of advisers there was no call on advisers to tell them what the options were, be it a creditor's voluntary arrangement or niche working-capital solutions. A number of banks are lending here - niche independent invoice financiers - and are providing solutions and a lot of advisers haven't heard of them. A lot of advisers didn't have the knowledge of recovery. It was lost over the Celtic Tiger years," Hughes adds.

He doesn't expect any let-up in the number of firms facing insolvency. The firm has managed eight companies through examination this year and expects a similar number in 2011. But the courts are setting the bar higher when deciding whether companies have a reasonable prospect of survival, particularly for property developers and those in the pub trade.

"To me, an examination is all about [finding] the core value of the company. Sometimes it is the intangible assets or the brand. There is always going to be a baggage of debt, creditors, or high-rent obligations that a company is paying that needs to be negotiated but if you can see the core value, you see that that is a company worth fighting for."

But not everyone can be saved and many end up in liquidation, a traumatic time for the companies and their employees and even for the liquidator, Hughes says.

"What I find difficult is compulsory redundancies, where you have to sit with people who in many instances will not work again. I remember I was appointed liquidator to a hotel in my home town of Enniscorthy and unfortunately it had to close. A meeting was called of all staff and there was a lot of tears and emotion. People had worked in that hotel for a generation and it was an institution in Enniscorthy. It is for that reason we focus on training to save jobs."