UKSA
UK Shareholders' Association

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Change at the helm of UKSA

On 16 August UKSA held a social event for members at the RAF Club in Piccadilly. This was our first gathering since the onset of the pandemic.

The occasion also marked the handover of the chairmanship of UKSA from Malcolm Hurlston to Charles Henderson. Malcolm will remain a director of UKSA. John Hunter has also formally retired as an UKSA director.

In his message to UKSA members, Malcolm Hurlston said: "It has been a pleasure to serve as your interim chairman, to hold fast to our position of strength while preparing for the next step.

I have had time to assess and appreciate the dedication and strength of our board members and the breadth and interest of our leaders and chiefs around the country.

It became clear to me that UKSA should be chaired by an expert rather than an outsider, able to comprehend and give rein to the members.

We already have the wider world at our door. I am glad that we have developed membership for our Northern Rock Group and are crafting a similar pathway for other organisations to conjoin. Beyond that, our work with Savers Take Control and with John Mulligan takes us to the wider population so that everyone can find a path to knowing what they need.

As well as to Charles Henderson I would like to pay tribute to former chairman John Hunter who invited me to take on this rewarding role. John's influence has pervaded our association.

I would like to give personal thanks to David Riches, who makes this small and unusual organisation work amazingly well. He has been unfailingly kind to me from beginning to end and made my job here a pleasure.

Thank you all. Over to Charles and... have fun!"

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On assuming the chairmanship, Charles Henderson said: "Firstly thank you Malcolm for stepping into the chairman's position for the last year and a bit. He made himself available, despite some health issues, and we have benefitted from his extensive experience of voluntary organisations and unrivalled range of influential contacts. As I have asked him to stay on as a director for the time being, we should continue to benefit from these.

Secondly thank you John for continuing to provide your experience on the board since stepping down as chairman three years ago. As part of the board panel that recruited me to the board, he is partly to blame for me being here and speaking to you. We've already shown our appreciation when John stepped down as chairman, which is probably quite enough, but we are glad that he continues to make himself available for when we need him.

Before I finish, I would like to thank the board and the whole association for accepting me as chairman for at least the next two years. I will do my best and will need your help and guidance to do so.

In respect of UKSA's future, I am hoping we can form a strategy and direction that makes sense for individual investors at this time in the history of the association and which helps increase our membership. In this sense, we can all do our bit by passing on the message to future generations, at least to our family and friends, that we exist and can help or make a difference to people who are trying to understand how best to save and provide for their futures.

I would also like to thank David for helping to organise this event, the RAF Club for hosting us and its members who have enabled us to be here."

Photographs of the social event can be found below and on page 22.

The onward march of private equity

by Harry Braund

Referred to as 'the barbarians at the gate' before the 2008 global financial crisis, private equity groups have now become 'pandemic predators' according to Private Eye's 'In the City': 'taking over or stalking British companies with threats to jobs & consumers'. Private Eye points out that some 150 British companies have been acquired by private equity since coronavirus struck last year in 'deals worth more than £50bn, with no sign of slackening', highlighting the vulnerability of many publicly owned British companies to takeover and buyout by private equity companies. These are institutions which are apparently stuffed full of cash from pension funds and others desperately seeking higher returns.

They are concerned with short-term results, yes, but triggered by the continual search for higher returns on the piles of cash operating in such a low-return environment. Not to mention the poor return to be found on bonds, but not on stocks listed on the New York Nasdaq exchange and other US markets where indices have been hitting new highs in recent weeks. That cannot be said, however, of UK stocks, where the FTSE 100 has been crabbing mainly sideways and is still well below its all time pre-pandemic high.

Private Eye reminds us that thirty years ago foreign ownership of UK-registered listed companies was just 13% by value according to the Office for National Statistics. By 1997 it was more than 25% and by 2012 it had topped 50%. The latest ONS survey (2018) showed foreign ownership at almost 55%, while even more recent research by Angus Vickers & Hardman & Co estimated that as at June 2019 overseas investors held almost 70% of the FTSE 100 and 49% of the rest of the main London Market! Private Eye says a report by Orient Capital last month put foreign ownership of the UK's 100 largest listed companies at 66% in January 2021, with US investors the largest single group with 28%, more than half held by mutual funds. European investors owned 19%; Asian investors another 8%.

We are all aware of recent takeovers and offers. Not long ago Arm Holdings was taken over by a US investor, while today Morrisons supermarket is in play. Private Eye points out that seven of the top ten investors in Morrisons are US- or European-owned asset managers (who could also be acting for UK clients). They own 33% of the shares, so will have a big say in any successful bid. The largest single investor is a UK hedge fund with 15%. For Morrisons, read almost any other private equity FTSE target, many described as 'low hanging fruit'...

Looking further ahead after the takeover, then what? For many UKSA members and private investors this is a key question. History has not been kind to many past takeovers and (one-sided) mergers because too many have been the result of unproductive 'financial engineering' which tends to enrich those closest to the deal. As Private Eye succinctly puts it, the usual aim of private equity is to extract as much tax-free profit as possible before selling on in three to seven years – often by listing or to another private equity player and hoping to do so "before the music stops".

SPENCER (COLIN) COLVIN

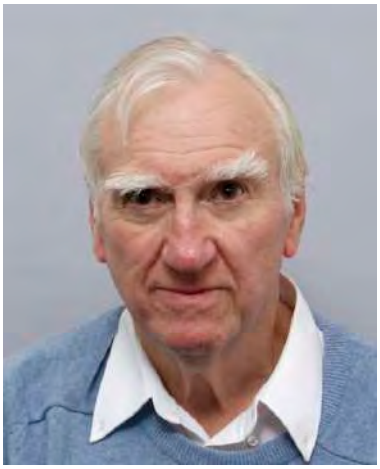
UKSA has been immensely saddened to learn of the death of Colin Colvin, who served as Chairman of UKSA from 2018 to 2020. We send our sincere condolences to Colin's family.

An obituary can be found on page 21.

Simple tests to avoid disasters

Test 1 – Due diligence

by Malcolm Howard



The prime objective for any investor is not to lose money. Once this has been achieved we can set about trying to make a profit.

Over the last few years there have been a number of major auditing errors that have resulted in investors losing a substantial amount of money. Sometimes the Finance Director is sacked, but the audit firm seems to get away with it.

The days of common sense seem to have gone; audit appears now to be ruled by procedures and algorithms. It is fair to say that if 'old fashioned' auditing methods were still being used, the majority of the errors we have witnessed would not have happened.

When I started work in the 1960s we did not even have calculators. To make things worse we had £sd, where twelve pence was equal to one shilling and there were twenty shillings to the pound. So there were 240 pennies to the pound. Every calculation had to be converted to decimals and sent over to the girls who would arrive at the answer by working their comptometer. These were very complicated machines where concentration was essential. These girls were talented and mistakes were rare, but it was easy to get a decimal point wrong.

Knowing there could be a fatal error when we least expected it, we were trained to inspect the result to ascertain whether or not it made sense. We were not looking for small errors, but we were obviously looking for substantial errors. If we thought the answer was just over £100,000, if it came out at £100,900 we would not worry, but if we were given a slip saying £1,000,900 we would know something was wrong. In time, we could see at a glance if something did not look right.

The problem is that it has been demonstrated that today's auditors are not allowed to apply common sense. Admittedly, they have one arm tied behind their backs in that they are grappling with an irrational accounting system that prevents them from challenging as much as they should.

The old accounting system (UK GAAP) in the UK had three prime safeguards built into it, the most important being the prudence concept. This stated that assets could not be overstated and liabilities could not be understated. In the mid-2000s UK GAAP was replaced by IFRS (International Financial Reporting Standards) and the prudence concept was abolished. The directors were given free rein to make judgements that previously they were not allowed to make. For example, under IFRS intangible assets do not have to be amortised. If the directors argue that such intangibles have maintained their value then the auditors cannot argue that they are being imprudent.

The worst aspect of IFRS is that historical cost has been replaced by 'fair value', which is an assumed and often inflated value. The standard stresses that 'fair value' is not the same as 'market value' as it assumes buoyant conditions that do not always apply.

Because of this, it is reasonable to forecast that as long as we keep IFRS we will witness more accounting scandals in the years to come. This means that investors will need to carry out simple tests for themselves to avoid disasters. This article is the first of six proposed articles that describes these tests.

The first test amounts to due diligence. This is where the assumption built into a proposal is tested for validity. Many will watch 'Dragons Den'. It is a fact that many investment agreements fail because due diligence has spotted a major problem. For the Dragons this will include talking to employees (not the directors) to find out what is really going on. Obviously, ordinary investors do not have this access, but they can still carry out due diligence. Three simple calculations should be made to get to know the

particular industry and company in question. These are margin, stock (or inventory) days and debtor (or receivables) days.

Margin is simply the difference between sales and cost of sales, expressed as a percentage.

So, for example, if sales were £1,080 and cost of sales were £648, taken straight from the Income Statement, then:

Sales	£1,080	
Cost of Sales	£ 648	
Margin	£ 432	Margin percentage = 40%, being (£432 divided by £1,080) x 100.

Stock days = (stock divided by cost of annualised cost of sales) multiplied by 365. So if stock at the year end was £100 and cost of sales for the year was £1,200, then stock days would be 30 days. Note that if half-year accounts are being reviewed, then the figure for 'cost of sales' would be doubled.

Debtor days = (debtors divided by annualised sales) multiplied by 365. So if debtors at the year end were £167 and sales for the year were £1,080, then debtor days would be 56 days. Note that if half year accounts are being reviewed, then the figure for 'sales' would be doubled.

The figures for sales and cost of sales are taken from the Income Statement, while the figures for stock and debtors can be found under the heading 'current assets' in the Balance Sheet (or 'Statement of Financial Position).

It must be noted that these calculations do not have to be exact; all you are doing is trying to work out if the numbers make sense. So, if you calculate 30 days, when you think it should be 25 days, then do not worry. But you would worry if you calculated 90 days when you thought it should be 25 days.

The way you do this is to get to know the industry in which your company (the one you have invested in) operates. For example, you would expect food and hospitality companies to have stock days ranging from 5 to 25 days, while pharmaceutical companies, carrying a wide variety of drugs may have stock days ranging from 150 days to 300 days. On the other hand because land when bought by house builders is counted as 'stock' their stock days could range from 500 days to over 1,000 days.

Admittedly it takes a bit of effort to work out what is the norm for each industry, something auditors should be doing as a matter of course. However, these calculations are vital if we are to validate our investments. Future articles will look at what could be regarded as the 'norm' for a number of industries.

It will be obvious that companies selling cakes, pastries and coffee, all being perishable items, will have a low number of stock days. Research also reveals that the margins achieved by these companies range between 30% and 40%.

Then we look at the accounts of Patisserie Holdings (Valerie). In the three years 2015 to 2017 and the 2018 half year they reported margins varying from 77.3% to 78.2% and had stock days ranging from 78 days to 88 days. You might 'buy' 30 days, but it was blatantly obvious that 78 plus stock days was not on. Neither were the margins stated remotely feasible. These accounts were in my view pure fiction, yet the auditor Grant Thornton passed them as accurate.

Now it is known that successful investing is all about timing. Investors realising Patisserie Holdings' accounts were invented would have not made a penny, nor lost a penny. But investors who bought the shares early on and realising the risk sold before they went bust would have done well. Everyone else would have lost everything. It is very easy to work out that a bubble will burst; it is impossible to know when.

The next article will deal with what I call the 'Prime Test'. Applying this it was obvious that it was a very high probability that Carillion would go bust. These shares were trading at 272p when the red light came on. Likewise Stanley Gibbons failed the Prime Test for three consecutive accounting periods, at which time the shares were trading at 236p. The shares subsequently fell to 11p and went down to 3p.

The remaining articles will illustrate what other things to look out for that causes the red light to come on.

What would restore your trust in audit and corporate governance?

by Mohammed Amin MBE FRSA MA FCA AMCT CTA(Fellow)

Editor's note: although Amin is a member of UKSA's Policy Team, he is writing in a personal capacity.

All too often, apparently healthy companies collapse. We then find the accounts were seriously misleading, or even completely fraudulent. To name just three personal 100% losses, Carillion plc (a large personal loss, with in my view misleading accounts), Aero Inventory plc and Globo plc (both small personal losses, with in my view fraudulent accounts).

What can be done to stop this happening repeatedly?

Government consultation

As reported in the 8 April UKSA news item "Are you happy with the quality of corporate reporting? Have your say" the Government issued a big consultation document in March: "Restoring trust in audit and corporate governance"; 232 pages with 98 questions.

Just reading the main chapter headings, without bothering with the many sub-headings, shows how wide-ranging it was:

1 The Government's approach to reform
2 Directors' accountability for internal controls, dividends and capital maintenance
3 New corporate reporting
4 Supervision of corporate reporting
5 Company directors
6 Audit purpose and scope
7 Audit Committee Oversight and Engagement with Shareholders
8 Competition, choice and resilience in the audit market
9 Supervision of audit quality
10 A strengthened regulator
11 Additional changes in the regulator's responsibilities

I consider that acting as the voice of individual shareholders is one of the most important things that UKSA does. That is why I volunteer on the Policy Team.

Our response

UKSA's approach is to respond to consultations jointly with ShareSoc, except when there is a specific reason for responding alone.

UKSA and ShareSoc's joint response echoed the scale of the Government's document, 77 pages with just over 25,000 words! You can download it from this link.

When responding, we don't confine ourselves to just the questions asked. For example, section 11 of the consultation document covered whistleblowing, but asked no questions. That did not stop us sending in nearly 800 words on whistleblowing, because we consider it very important.

Similarly, the consultation document said nothing about the problems caused by the nominee share ownership system which disenfranchises many individual shareholders. Despite that, we made it our second key point.

Our key messages

We made eight key points. (If you make too many, they cannot all be key!) They are listed below, with

some very selective and lightly edited extracts from the response document.

However, even if 77 pages of response are too daunting, I strongly recommend reading the six pages in the response document which set out our key points in full.

1. Regulatory capture

Historically, the FRC (Financial Reporting Council) Board and its main committees have been dominated by accountants. ARGA (the new Audit, Reporting and Governance Authority) and its main committees must be representative of the users of accounts, the customers.

2. The share registration system disenfranchises the beneficial owners of shares

Following dematerialisation, large numbers of beneficial owners have found themselves being forced to use stockbrokers' nominee companies. In most cases, they are denied the ability to vote, are unable to receive communications directly from companies whose shares they beneficially own, and have no right to attend a company's AGM.

We included a whole Appendix expanding on this key point.

3. The method of appointing auditors requires radical change

Audit partners know that if they sufficiently upset the Chief Financial Officer or the Chief Executive Officer (rather than shareholders), the likelihood will be the loss of the audit engagement. Accordingly, the present system of appointing and removing auditors creates a fundamental tension between the auditor's professional duty to shareholders to be challenging and the auditor's economic interest in retaining the audit.

We recommend that for PIEs (Public Interest Entities) the audit firm should be directly appointed by ARGA, with ARGA agreeing the audit fee. Only such radical change can ensure that auditors are motivated solely by the imperative of maximising audit quality and challenging any corporate reporting that they consider deficient.

4. Change the legal responsibility of directors

We recommend that the law should stipulate that the legal duty of directors is to act "with utmost good faith" towards the company, towards each other, and towards auditors. "Utmost good faith" is a concept well established in the law of insurance and in the law of partnerships. Imposing this obligation upon directors should have a salutary behavioural benefit, and by "raising the bar" beyond their existing responsibilities would also make it easier to sanction directors who fall short.

Furthermore, ARGA and other regulators should cease fining companies for any reporting or company law failures. Although such a fine is legally paid by the company, its economic cost always falls upon the shareholders, all of whom are innocent qua shareholders.

5. More legal protection for whistleblowers, regulators, and auditors

We consider that a system for significant financial compensation, modelled on that used in the USA, is required to protect whistleblowers in the UK. Furthermore, whistleblowers should have legal privilege for their disclosures if made in good faith.

In several recent financial scandals, regulators were too slow to act, waiting in the hope of building an irrefutable legal case, because they feared litigation being brought against them by aggressive company directors. We consider that ARGA and its staff need stronger legal protections so that any person seeking to challenge ARGA through the courts should be required to prove actual malice on the part of ARGA or individual members of staff.

We consider that auditor resignation statements should be absolutely privileged, alongside a strengthened duty upon auditors to report fully and frankly all the circumstances leading to the cessation of the audit engagement.

6. Expanding the number of firms capable and willing to audit PIEs

We recommend applying a market share cap to the Big 4 audit firms, initially fairly loose to enable time for adaptation, but with that cap later becoming tighter. This would create a guaranteed market for

challenger firms.

We also recommend a statutory system to cap audit firms' liability in the event of a failed audit. At present, auditors face open-ended liabilities for which the Big 4 firms cannot buy adequate cover in the insurance market. The risk of such open-ended liabilities is a major impediment to challenger firms seeking to increase their PIE engagements.

7. Is ARGA the most appropriate body to undertake oversight and regulation of the actuarial profession?

We recommend finding a different home for actuarial regulation to allow FRC/ARGA to focus on governance, reporting and audit.

The PRA (Prudential Regulation Authority), which employs around 80 actuaries, is a much larger repository of regulatory actuarial expertise than the FRC and would be best placed to take on all the actuarial responsibilities currently vested in the FRC.

However, it will be important that FRC/ARGA, the new actuarial regulator, the PRA and The Pensions Regulator (if neither of these latter two become the actuarial regulator) have a memorandum of understanding on matters where their regulatory duties overlap.

This current review should also consider specifically the need for accounting and audit quality in the insurance sector.

8. Implementation planning, monitoring of progress and funding ARGA adequately

The FRC has estimated that the implementation of much-needed reform of annual reporting is likely to be a ten-year project. This seems appropriately pragmatic and requires long-term planning. Government needs to continue to monitor progress and ensure ARGA reports on progress against its goals.

It is vital that ARGA has all the resources it needs in this respect. The consultation talks about the funding of ARGA by statutory levy (a system which many consider unsatisfactory), but there is no discussion of the level of resource that ARGA might require even over a five-year, let alone a ten-year, horizon.

The FRC's budget for 2021/22 is £52.2m. In comparison, the pure administration costs borne by the taxpayer of winding up of Carillion were £148m, while the wider economic costs to the economy were an order of magnitude greater. The additional costs to the taxpayer for the completion of the Royal Liverpool Hospital alone have been estimated by the NAO at £739m.

Money spent on proper funding of ARGA in future will be money well spent.

How did we get the response done?

The response lists seven joint authors, and others within UKSA and ShareSoc also had views on these issues of course. How do you get a response done without everyone tripping over each other, or having things fall through the cracks?

In March, UKSA adopted a 9-page consultations response process which you can download from this link. The Policy Team created it after recognising that some of our consultation responses in 2020 had taken more effort than they should have done.

This particular consultation was the first time the formal response process was used in "real life". I volunteered for the role of Lead Author. To keep it brief, the process worked extremely well.

The essential requirement is that the Lead Author focuses on the need to create text, manage the timetable, and keep the team in lockstep. For example, serious effort would be wasted if someone started commenting on a superseded version of the draft response! Such things happen very easily if you are not careful.

To conclude, I would like to thank my fellow authors for never complaining that I was following the process too strictly. Obviously, I was cut out to be a dictator!

The HonestMoneyNow website

UKSA's financial guidance website HonestMoneyNow has been developed by John Hunter over many years and has now undergone a major overhaul with a new style and more engaging layout.

We think this site is unique in its field because of its straightforward guidance on the economics of the advice and financial product industries – which is only possible because of UKSA's financial independence.

A key feature of the site is a learning path for all levels of initial knowledge, structured in three modules – Foundation, Simple and Advanced. The site also includes an overview of the issues around financial capability and financial education in the UK.

HMN is also aimed particularly at those who are new to using equities for long-term saving, so do pass it on to your children and grandchildren – and get them to join as Associate Members.

We'll be dipping into HMN frequently in future months – helping to create the Responsible Investors of the future.

Protecting an investment portfolio against inflation

by Dean Buckner, Policy Director

Inflation is back, in the news at least. In the first quarter of 2021 we had a spate of stories about rising commodity prices, shortages of labour and crucial components. The Bank of England forecast that the Consumer Prices Index benchmark could rise 4%. Yields on US and UK government conventional (non-index linked) bonds, which reflect inflation expectations, rose in the early part of the year (chart), and are still higher than the low points of 2020.

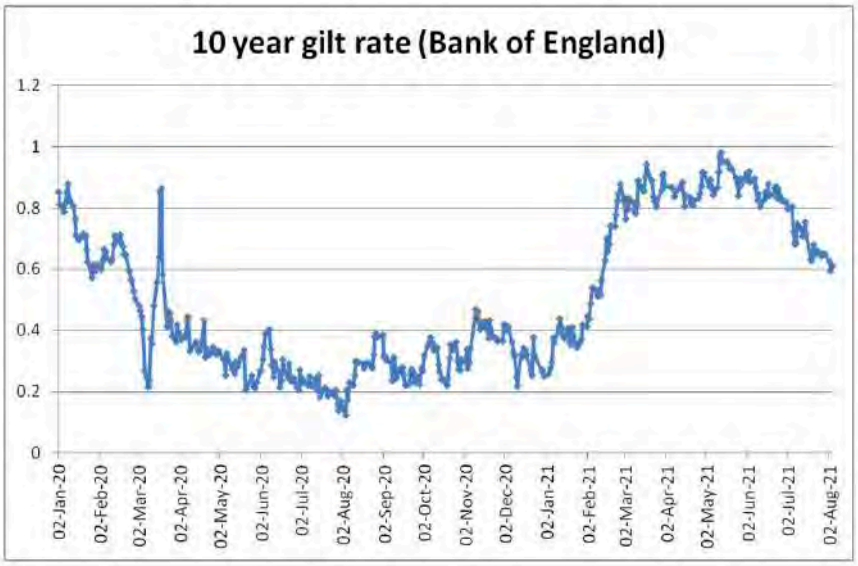


Figure 1: 10 year gilt rate, 2020-August 2021

The worries have since died down, and bond yields have fallen back somewhat, but the risk of inflation remains, and inflation is arguably the biggest risk to long-term investors, because of how it can eat away at both income and principal. Moreover, no one really understands the underlying cause of inflation which – whatever the pundits tell you – is by its nature unpredictable. The US and UK central banks failed to predict the 'Great Inflation' of 1965-1990, for example. For that reason, this article makes no attempt to predict the future course of inflation, but accepting it as a risk, examines its effects on the different forms of retirement investment.

Retirement investments are usually a mixture of bond, pensions or equities, also property. Most bonds are not indexed against inflation, so the investor risks the value of coupon and principal falling significantly in real terms when inflation is high. The chart below compares the 10 year government bond yield to the rate of inflation for the period 1800 to present. The nineteenth century was a simple period for investing, with bond yields steady between 3% and 5%, and inflation low or negative. This situation changed with the two world wars, which were ultimately financed by inflating away the war debt. Inflation peaked in the 1970s at 27%, meaning that the real value of your investment was declining by that amount every year. Long-term interest rates are set by the market, which was slow to react both to the runaway inflation of the 1960s and the

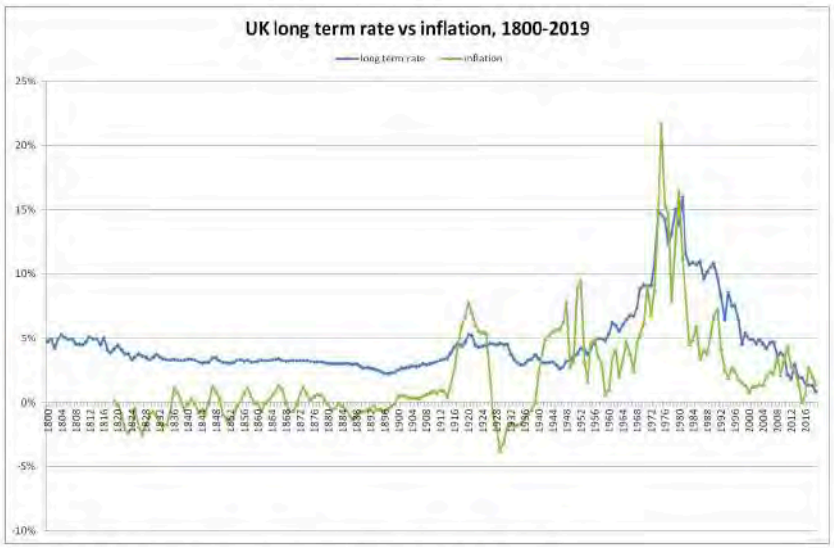


Figure 2: UK long term rate versus inflation, 1800-2019

general decline in inflation beyond the early 1990s. For this reason I do not recommend bonds as an investment.

A pension is a kind of "interest only" bond which terminates with no repayment of principal on death, meaning that the 'coupon' is higher. Most pensions have a form of indexation. I am excited to receive my State Pension next month, which currently has the benefit of 'triple lock', i.e. is guaranteed to rise by a minimum of either 2.5%, the rate of inflation or average earnings growth. This makes it the best pension of all, although there is considerable political risk to the indexation element. The state pension is not a contract and can change as the politics change. The Chancellor has already hinted that the government will temporarily break the triple lock this year to avoid the link to covid-related earnings rises.

I also have a mixture of company pensions acquired over my career. A company pension is a contract, but the indexation is typically capped at 5%, meaning that if we entered a Weimar Republic/Zimbabwe/ Argentine scenario, company pensioners would become paupers. For example, inflation is currently running at 50% in Argentina, where most pensioners cannot meet their basic needs.

Equity dividends are not indexed to anything, being discretionary, but companies need to offer an attractive dividend, and history suggests that equity dividends are naturally indexed to inflation. The chart below shows the S&P nominal dividend (indexed to 100 in 1960) against the CPI index (1960=100) over the inflationary period 1960-1990. The rise in dividends more than compensated for the rise in inflation. I was forced to use US data as there is insufficient historic dividend data available on UK equities, but simple mathematics suggests that in the long run if both costs and revenue rise by inflation, then the difference between them, i.e. profit, will rise with inflation. I say "in the long run" as there are competing effects in the short term. A company faced with rising cost of materials and labour may choose to cap its prices in order to retain its market share, but that situation cannot continue indefinitely.

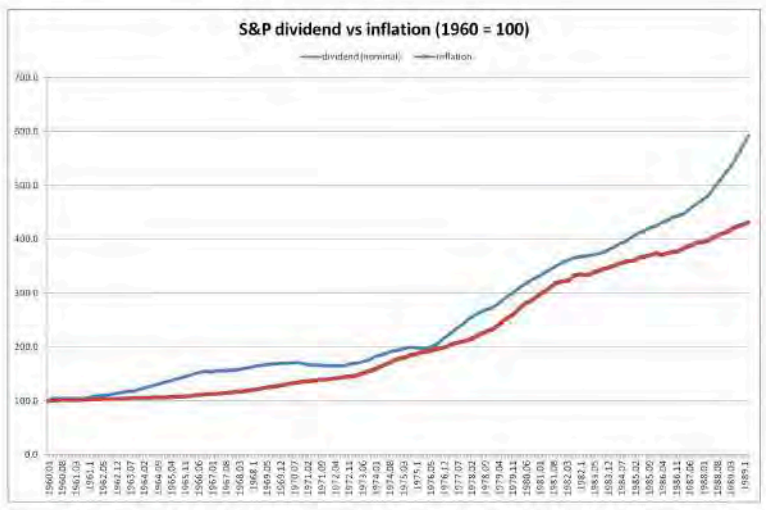


Figure 3: nominal S&P dividends versus US price index, 1960-1990 (Source: Shiller)

Property investments include your own house, buy-to-let and real estate investment trusts (REITs). Your own house may not seem like an investment, but you can consider it as a buy-to-let property where you are both the tenant and the landlord. You always have the choice of trading down to that longed-for bargain farmhouse in the South of France, or to a serviced flat, but remember that maintaining a property gets difficult as you get older, and I have heard many horror stories about that. Some people choose equity release, where you get a lump sum to use as you please, in return for a loan with a very high interest rate that compounds up until you exit. The mortgage has a 'no negative equity' guarantee so the loan is capped at the property sale value on exit, and your estate is not at risk, but I don't recommend these except as a last resort. REITs can give provide exposure to residential or commercial property, but there are horror stories there also – you may remember INTU which we covered in at least two previous issues of The Private Investor.

In summary, fixed interest investments such as conventional bonds offer no protection against unexpected inflation, and are not recommended as a retirement investment. Pensions which are indexed offer a better return than bonds, but apart from the State pension they are capped at rates below what one would fear in a Great Inflation scenario. Property, unless it's your own, can be hard work, and REITs, being a form of equity, need to be well diversified if you want to minimise market risk.

A diversified portfolio of equities, by contrast, is naturally indexed to inflation of any size or length. That is why more than half my retirement portfolio is in equities.

Northern Rock – a summary

by Bill Brown

In his third article on Northern Rock, Bill Brown summarises the current position, especially for those less familiar with the case.

As has been mentioned in an earlier article, the circumstances concerning Northern Rock are quite complicated.

The main concern of these articles is to determine why Northern Rock shares were assessed as having no value, particularly when various sources in Government, including the Chancellor of the Exchequer and other ministers, although they spoke of a "failed" bank, still referred to it as operating normally (even after nationalisation) as a "going concern".

That implied a contradiction in Government statements since the only law that was available at that time for Government use, in the absence of an applicable Banking Act (which was not passed until February 2009), was the Insolvency Act 1986. It was officially well established that Northern Rock was not insolvent, therefore before the Insolvency Act could be utilized the artificial creation of a state of "effective insolvency" had to be created (but which was not provided for in the Act).

This was achieved by declarations in the Northern Rock Compensation Order 2008 that it had to be: assumed (by a valuer) that: a) Northern rock was unable to continue as a going concern, and b) that it was in administration. (Had the bank been in administration, administrators would have wound it up and the surplus assets and income would have been paid to the shareholders.)

The consequence of those two assumptions, written into Law, reinforced by a statement that Bank of England or Government support would be immediately withdrawn and would not be renewed, was that Northern Rock shares would be valueless. That was the Government's first mistake.

Why was it?

Firstly, because the original issued share capital of Northern Rock of £124 million comprised 496 million 25 pence shares and that same amount of capital funds still formed part of the capital (equity) value of NRAM* in 2020, yet all the shares had been declared worthless in 2007, notwithstanding that Goldman Sachs had attributed a value of £2.8 billion to equity in the bank.

Secondly, because it was based on assumptions which did not reflect the true situation, namely that Northern Rock Bank was operating normally as a "going concern". It continued to receive deposits and issue mortgages.

Thirdly, The Public Accounts Committee in 2012/13 stated: *"The Treasury (HMT) did not have sufficient capacity or the skills to understand and respond to the crisis when it began"*. It therefore relied on its adviser, Goldman Sachs, a US company. Following that advice resulted in a valuer being obliged by an inappropriate law to declare a "NIL" value for the shares, more than one year later, even although he was quoted as saying that it was an "unreal situation".

We tend to forget that our Parliament is made up of ordinary people who become Members of Parliament and as such are charged with governing the country. But we need to remember that in a

* *Northern Rock (Asset Management) plc became NRAM plc, a British asset holding and management company which was split from the Northern Rock bank in 2010.*

democracy, we expect to have "government of the people, by the people, for the people". What that implies is that the people, you and I, should expect to be governed fairly. Depriving shareholders, in a solvent bank, of their shares without compensation is not what we expect. It is particularly unfair when compared with aid that was made available to other UK banks in 2008, none of which were nationalised.

There is no question that the Emergency Assistance, by way of "lender of last resort" loans from the Central Bank – the banker's bank -- was acknowledged to come from the UK central bank, the Bank of England. Those loans were made available to a solvent bank, were fully secured with a substantial margin and were not "state aid", although they were referred to as such in the media and by Government long before nationalisation of the bank. LOLR loans from a central bank are considered, worldwide, to be a standard and lawful method of providing emergency assistance to a bank that is solvent but undergoing a liquidity shortage.

Included as "state aid" were the Bank of England LOLR loans; the guarantee (by government) of deposits (for which fees were paid by NR) and other involvements by Government.

The Bank of England loans were "*novated"* to HM Treasury in August 2008, more than five months after the bank was nationalised. *"Novated"*, an expression used in the USA, implies a transfer of the loans to Government on the same terms and conditions. Despite the fact that there was no cost to Government, they became "state aid". The EC Financial Services Directive dealt with questions of "state aid", but this was a complicated situation and bearing in mind that nationalisation took place in February 2008 the EC considered the matter until October 2009 before it could reach a conclusion, which in fact was no more than a retrospective, token approval.

The "novated" Government loans which by August 2008 had been reduced to £15 billion. According to the figures issued by the Government-appointed Chairman of Northern Rock, they were on schedule to be reduced further by 31 December 2008 to £8.9 billion, which would have meant that as at that date, only four months after the loans had been "novated" to Government, no more than £8 billion pounds would be outstanding. Even after all the original LOLR loans from the Bank of England had been repaid, there would remain under Government control, surplus gross assets amounting to £78.2 billion , which we now understand may have been sold off at a discount, much of it to foreign buyers. The Government paid not from public funds but out of the assets and accrued income of Northern Rock, advisers, experts, lawyers and even bidders, plus other disbursements. In other words, *"taxpayers"* were not involved.

A requirement of the EC Financial Services Directive (2002) is that actions must be "proportionate", balancing the rights of private persons and public interests. How can it be considered "proportionate" to secure loans of £15 billion against assets of £78.2 billion with a resulting profit to the Government, believed to be £7.8 billion, after temporary nationalisation which lasted 12 years.

Throughout the period since September 2007 successive Governments have failed to acknowledge the deficiencies of the Financial Services Authority. The following are quotes from the RBS report, (Treasury Select Committee- 2012/13) and demonstrate that the government played a substantial role in setting the basis of bank regulation: *"the FSA's philosophy and approach to supervision prior to the financial crisis was set within a context which included: a sustained political emphasis on the need for the FSA to be a light-touch regulator in order to retain the international competitiveness of the UK's financial system". No wonder that the government is unwilling to acknowledge that the FSA, for one, failed in its duties.*

A statement was made by Gary Hoffman, CEO, made after his appointment in October 2008, to the effect that: "*Northern Rock has made good progress against the Business Plan objectives laid out in March 2008. The Government loan has been reduced significantly, and the deposit base of the Company has grown as customers have returned to Northern Rock. (Total deposits - £20 billion pounds). We can now return to what we do well - mortgage lending. [...] We have an exciting opportunity to help consumers in the mortgage and savings markets and to secure the long-term*

future of the Company, while protecting the interests of the taxpayer. I am confident that we will deliver on that opportunity."

Why was Mr Hoffman not allowed, by Government, to carry on with a plan that could have repaid all Government loans within a year or possibly two?

Northern Rock operated only as a mortgage bank. Formerly it was a Building Society and its management and directors were not qualified bankers. A significant difference between the two types of institution is that building societies cannot borrow, they rely on customer deposit accounts, whilst banks in addition to customer deposits can borrow from a variety of sources but must have regard to the extent of their borrowing.

Until about the 1970s, banks did not engage in mortgage lending, viewing it as unwise to mix deposits and mortgage loans by "borrowing short to lend long". Mortgage loans until then had an anticipated life of 20-30 years. However, lawyers devised many new types of mortgage loans, including so-called "teaser" loans for, say, three years at a fixed rate that was generally lower than for loans whose interest rates fluctuated with changes in the bank rate to which most interest rates in the UK are tied. Those changes attracted the Clearing and Scottish Banks into mortgages and this introduced competition into the mortgage markets.

The main attraction of mortgage lending, and this also must have influenced the decision to "nationalise" the bank, is that it produces a steady, reliable flow of cash income, based on the value of existing mortgage loans that in the case of Northern Rock originally exceeded £100 billion. That income, denied to shareholders, increased Government profits.

The "Freedom of Information Act" was passed in order to achieve "transparency" of public body transactions, particularly those of Government departments. However, on the basis that NRAM had its own Board of Directors and senior management officers and had been declared as operating at "arm's length" free of Government intervention, NRAM was officially deemed to be a privately owned Company, specifically not subject to the "Freedom of Information Act". At the same time, the Company required Government approval of its strategic plans. It publishes annual accounts but was it really free from Government intervention? After all, in 2010 its policies were changed to meet a government initiative to stimulate mortgage markets.

Annual reports and accounts only reflect the overall status of a company, in this case a Bank, on a given day each year. Furthermore, they are prepared in accordance with widely accepted accounting standards which can mean that the picture of the bank that is presented may reflect the picture that the management and directors (with a degree of approval from its external auditors) wishes to present. One sum calculated in accordance with accounting standards is "statutory profit" that is not necessarily the same as actual profit. The annual report and accounts of Northern Rock for 2008 ran to 94 pages, of which 47 pages were notes to the Accounts. NRAM's annual report and accounts normally run to approximately 70 pages, of which 40 pages are of explanatory notes which many accountants would have difficulty interpreting. In other words, there is a lack of transparency concerning the transactions, interest rates etc. that happen throughout the year.

Because there is such a lack of transparency, it has been difficult for anyone to assess the true status of NRAM throughout its existence. However, it is a fact that the longer Northern Rock remained under Government control, the more gross income and fees accrued to Government, even although no meaningful estimates of them could be deduced, because they were never published.

The only justification for the "novation" of the Bank of England loans to HMT must be that it was known from a very early time that Northern Rock would produce a surplus which, despite the constant references to "taxpayers' interests", will accrue to a Conservative Government.

The Annual Directors' Report supports the theme that Government's concern is always to protect

"taxpayers' interests" and the overall aim as stated in several NRAM Annual Reports is to "maximise value for the taxpayer". But why should this be a concern? Northern Rock was expected from an early stage (actually before the Banking Special Provisions Bill became law) not only to repay the Bank of England loans and interest at a penal rate within an acceptable period (two to three years being considered appropriate for LOLR loans).

In fact, the only body concerned with "maximising value" was Government due to the "novation" of the LOLR loans from the Bank of England to it. The Government also added to "the maximisation" of its returns by ensuring that shareholders would be deprived of their shares without compensation.

Any shareholder compensation will not be paid by the Government or by the taxpayer. It will be paid out of Northern Rock surplus funds and may still leave the government holding a substantial profit.

Please contact UKSA (officeatuksa@gmail.com) if you are interested in the campaign for compensation.

Lost in SPACs

by Sue Milton

SPACs has become a buzzword and, once embedded in daily discourse, assumes that everyone knows what it is and that everyone will be able to judge how appropriate it is for them.

Wrong, which is why the FCA has recently published rules to strengthen investor protections in SPACs in return for more regulatory flexibility.

So what is a SPAC?

A SPAC (Special Purpose Acquisition Company) has no commercial operations. Also known as a 'blank cheque company', it is created to raise capital through an initial public offering (IPO) for the purpose of acquiring an existing company. A SPAC has nothing tangible to promote. Even if it has an acquisition in mind, it will not disclose this during its IPO.

So the SPAC's IPO approach differs from a traditional IPO process. In a traditional IPO, a company wants to enter the public market by directly promoting its business to potential investors. But IPOs can be lengthy and expensive, so companies can find partnering with a SPAC an attractive option as a faster way into public markets.

The SPAC's funds are ring-fenced. They can only be used to complete an acquisition or to return the money to investors if the SPAC is liquidated. Both private equity funds and the general public invest in SPACs in the hope of the SPAC acquiring companies and assets from which the SPAC, hence the investors, hope to get substantial returns.

Compared to the USA, the UK has significant obstacles for SPACs, such as a less flexible regulatory framework and less investor protection. Hence the revised FCA regulations. Regulation should not close off innovation and diminish the concept of free markets. Regulators must ensure fair play to avoid exploitation. That is what regulations are for.

Sources:

FCA publishes final rules to strengthen investor protections in SPACs | FCA
Special Purpose Acquisition Company (SPAC) Definition (investopedia.com)
SPAC vs. IPO: What's the Difference? (wrpwealth.com)
SPAC backers' bid to spread craze to UK faces hurdles | PitchBook

Capital gains tax simplification

Second report (part II)

by Roy Colbran

Continuing from my article in the June issue, the next chapters have little in the way of suggestions for change but reveal helpful descriptions of key points in the present system that may be of general interest.

Chattels

I wonder how many people on giving away or selling a work of art or piece of jewellery would immediately think of potential tax liability. Not many judging from the fact that HMRC estimate that only about 300 people paid capital gains tax on disposals of chattels in the year 2017-18, or tangible movable property as the OTS ("Office of Tax Simplification") prefer to call them. Despite all the various exemptions and allowances this seems a remarkably low figure, out of a UK population of 66 million.

These 300 or so cases produced about £15 million in tax, which implies an average tax of £50,000, although it is possible that there were just a few very large cases pulling up the average when the norm was much lower than this figure.

While not commenting directly on the low number of cases, the OTS note that there is nothing to prompt a taxpayer to consider potential tax when disposing of chattels, particularly if this is by gift when no money changes hands. And yet gifts are taxable just as much as sales based on the value at the time of disposal. They recommend a question in the self-assessment tax return specifically asking about sales or gifts of personal possessions worth over £6,000.

£6,000 per item is the minimum disposal value before any question of tax liability arises, subject to anti-fragmentation rules to avoid avoidance by breaking up sets and collections. Sale of an item which cost more than £6,000 but is sold for less gives rise to an allowable loss but only down to £6,000. The figure of £6,000 was fixed as long ago as 1989 and the OTS say that the present day equivalent is about £15,000. They suggest, however, that one reason for not increasing the limit is that better technology has reduced the cost of many household items. I find this a very strange argument since electronic and suchlike items are not likely to be in the value bracket that would make their disposals taxable and would probably be "wasting assets". On the other hand such items as paintings have in general increased substantially in value.

There is also rather a curious marginal relief which applies very seldom. Despite that the OTS are unable to recommend that it be abolished because to do so would create a cliff edge.

What are known as "wasting assets" are exempt from CGT, primarily to protect the Exchequer since they would otherwise be likely to generate allowable losses. Wasting assets include racehorses, antique clocks (but not antique furniture), watches and cars and, as a general rule, assets expected to have a lifetime of less than five years.

Divorce and separation

I hope that this section will not affect too many of our members. Sadly, however, the Internet tells us that in 2019 there were nearly 108,000 divorces in England and Wales and as many as 42% of marriages end in divorce. Out of these cases, less than 300 mention divorce or separation as a reason for reporting a capital gain. In this case it is not obligatory to state the reason for the disposal, but the very low number again suggests a degree of under-reporting.

From the point of view of CGT the most important thing to consider on divorce or separation is that the ability to pass assets between spouses and civil partners without a tax liability is lost. In fact, the

exemption only lasts until the end of the tax year of separation or divorce and the OTS point out that a couple separating on 4th April would have just one day to make the transfers without incurring tax liability. The OTS admits that this situation is unsatisfactory and recommends that the 'no gain or loss' window should be extended to the later of the end of the tax year at least two years after the separation event or for any reasonable time in accordance with a financial agreement approved by a court on how a couple should rearrange their affairs. The OTS is clearly chary about recommending any change which might cost the Exchequer, but here they justify it because the assets transferred would still give rise to a CGT liability on a subsequent disposal.

Where a couple separates, the one who moves out may well lose some of their Private Residence Relief. The Relief would be available for the period when the person was living in the property and for the final nine months of ownership but not for any longer before the property is sold. Only if the one moving out sells their share of the property to the one remaining within nine months of moving out would they get full Private Residence relief. The OTS notes that this can be particularly hard when a court prevents the family home from being sold until any children have reached 18 and recommend an extended time horizon.

Businesses and other matters

The report includes a chapter on sales of businesses where the OTS's main concern is with situations of deferred consideration. There is also a chapter about such matters as Enterprise Investment Schemes. In these cases I cannot see that an attempt to summarise would be helpful and if anyone is involved in such transactions, they may well find it useful to read the relevant chapter in the full report.

In the Land and Property chapter the OTS is concerned about the immediate tax consequences of pooling land prior to development. It is suggested that, as they stand, they can actually be an obstacle to the Government achieving its targets for housing construction. Another anomaly is the situation where there is a block of flats in which the leaseholders jointly own the freehold. In such a case the leaseholders might well jointly agree to extend their leases since that would presumably make future sales easier. No money will change hands. Nevertheless in such a situation the freeholder would be held to be liable for tax on the market value of the extension as if it had been paid for. This remarkable situation arises due to anti-avoidance provisions between connected persons. The OTS notes that in such a case the various leaseholders would have to raise the funds to pay the tax!

What next?

With the OTS having finished its work we now have to await the next Budget or Budget statement to see what, if any, action the Chancellor will take on the two reports. The immediate panic caused by the first one seems to have gone away, although the possibility of CGT rates being brought more closely into line with income tax rates is still there. As I write there are stories that the Prime Minister wants to move Rishi Sunak to another post. We wait to see.

Editor's note:

Readers of the Financial Times may have seen Roy's recent letter on the steelworkers' pensions mis-selling scandal, which was published on 23 August.

In the letter, which can be found in the FT here, Roy calls on the FCA to acknowledge its share of responsibility for allowing a situation where advisers are to be paid only if the transfers took place, under the "contingent charging fee model".

Roy points out that the FCA allows the same arrangement in respect of equity release, where there are signs of pressure selling.

Transitioning from Hargreaves Lansdown to Interactive Investor

by Rob McDonald

We have always encouraged members to share their investment experiences, because a key benefit of belonging to UKSA is the ability to pool our experiences and learn from each other. This is true even if such experiences reveal our past (or present!) errors. Below is a personal view and experience. It may conflict with the views of others and, if so, that's good, because it's only by argument and debate that we get closer to the truth.

It seemed a simple enough proposition: transfer my Stock and Shares ISA from Hargreaves Lansdown (HL) and escape their *ad valorem* platform fees of 0.45% pa * in exchange for Interactive Investor's (II) fixed platform fee of £120 per annum. For investments in funds more than £26.6k, (the break-even point) II would produce savings in platform fees and that is still the case, but there were some issues for me personally. Interactive Investor was an unexplored entity to me, but since it was used by some of my well-regarded UKSA colleagues, it gave me some reassurance and, on that basis, I opened an account. I outline below the reasons for my initial hesitancy and what I learned in the process.

Firstly I had been with HL for many years and I rate the service very highly, both over the phone and by e-mail. I have found the calibre of their staff high and response to phone calls quick. More importantly, their website is simple to navigate, robust and with a high degree of functionality. This is important to me, having had a nightmare experience with Selftrade many years ago, after they upgraded their platform software without, it appeared, adequately stress-testing it first. For many months executing share transactions in Selftrade was erratic, with the website frequently timing out, not knowing if transactions were executed and wild swings in portfolio valuations. Eventually the regulator stepped in, banned any new business and, by way of reparation, exit transfer fees were waived by Selftrade and I transferred the entire holding, *in specie*, to Hargreaves. From there on I was determined that I would never chase the cheapest again. I didn't want my investments with a company that operated on wafer-thin margins, where cost containment measures may impact on service, reliability and possibly security.

The second complication was that in terms of charges HL treats funds and shares differently. Although the *ad valorem* charge of 0.45% applies to both elements, the shares element is capped at £45 per annum. For individual shares, ETFs and investment trusts, their platform charges were cheaper than Interactive Investors. I had reduced the funds portion of my HL account in favour of increasing the Investment Trusts and Exchange Traded Funds portion. That process was almost complete, but there remained a handful of several passive index tracker funds, and a few favoured active funds. The largest of the active funds were Fundsmith Global equity and Lindsell Train's Global and UK equity funds. I could still make substantial savings just transferring these funds to II. It seemed not an unreasonable idea to use my current ISA allowance to open an II account and use it to buy Lindsell Train Global Equity. That would enable me to experience the new service and website, without incurring any significant additional cost. After a trial period I could transfer the remainder. Being miserly, I resented paying HL £25 per line to transfer *in specie*. It also can take a long time, I'd heard, whereas there were no charges for transferring cash and it was quicker. It seemed straightforward, therefore, to sell some of the Lindsell Train Global equity in HL and simultaneously buy in II, taking advantage of midday pricing for both transactions on the same day. I wanted to avoid any unforeseen timing issues associated with abrupt

market corrections. I checked first that the Lindsell Train class D, with the lower ongoing charge figure (OCF) of 0.49% pa, was also available on the Interactive Investors website. Irritatingly, it's only when you open an account and attempt to buy the fund that the error message is received: 'This fund not available'. The more expensive class B at 0.64% was available. It may seem like penny-pinching and a minor issue, but it was a question of confidence for me. It just felt misleading, and I wondered if there were any other unknowns.

Something that platform comparison websites seem to miss is that HL, as a behemoth fund, offers discounted charges on most of its funds and that needs to be factored into comparative costs. I show below a simple comparison of some popular funds.

To be fair to II, after I sent a critical message, they rang me up the following day, agreed that it was misleading, but blamed third-party functionality they were using for researching funds. Despite the niggle, I have persevered with II and have since transferred another ISA to them. But I am restricting the funds to a few geographical index trackers and Fundsmith (which does not offer discounts to any platform providers). I will retain HL for shares, ETFs and investment trusts.

	Hargreaves Landsdown			Interactive Investor		Diff in fund charges
Fund	Net Fund charge O.C.F.	Platform charge *	Total ad-valorem Charge	Net Fund charge O.C.F.	Platform charge	
Fundsmith	0.95%	0.45%	1.40%	0.95%		0.00%
Lindsell Train Global Equity	0.49%	0.45%	0.94%	0.64%		+ 0.15%
L&G Euro Tracker	0.07%	0.45%	0.52%	0.13%	£120 pa flat.	+ 0.06%
L&G UK Tracker	0.04%	0.45%	0.49%	0.10%		+ 0.06%
Artemis Income.	0.59%	0.45%	1.04%	0.80%		+ 0.21%

* From £250k- £1 mill = 0.025% per individual account.

Summary of likes and dislikes

Hargreaves Lansdown

Likes

a) No transaction costs for funds and minimum investing amounts are £100. Good for small investors just starting and making use of £ cost averaging.

b) Clarity, slickness and good functionality of website. E.g. Simple to download to Excel. Easy performance comparison with other securities including comparing investment trusts to funds.

c) Optionality to receive dividends automatically into a nominated bank account with just a few clicks.

d) Good telephone service, quick to respond to messages.

e) Cap on platform fee of £45 pa. if holding only shares, ETFs, or investment trusts.

f) Ability to link other family accounts so only one login required.

Dislikes

a) Expensive if holding large amounts in funds both active and passive.

b) Not slick for AGM attendance or voting, but do respond promptly by e-mail for AGM invitations.

c) Cumulative performance of each line of security excludes dividends making comparison meaningless.

Interactive Investor

Likes

a) Flat fee of £120 makes for substantial savings for large investments. (Probably No 1 attraction)

b) In analysis of a fund, IT or ETF they display whether the instrument is mainly growth or value oriented or of it's a blend of both.

c) They have good videos to explain how to navigate site and transact.

d) The first trade every month is free and after that very competitive at £7.99 (vs £11.95 HL)

e) Appear to have a menu option for voting at AGMs (I have yet to use).

Dislikes

a) The website feels a bit clunky by comparison and sometimes text fields overlap, making it difficult to read. (A minor irritant, but there is really no excuse for that.)

b) Security of login requires input of a one-time code sent to your mobile. That's fine if you have a decent mobile signal in your area and you don't want frequent access.

c) Cannot make performance comparison between funds and investment trusts (in my experience).

News of Interactive Investor

According to recent press reports Interactive Investor is preparing for a potential £2bn flotation and has entered talks with investment banks ahead of an IPO this year. Sky News is among the outlets reporting on the story.

Interactive Investor is currently owned by the private equity firm JC Flowers. It acquired its rival The Share Centre in early 2020. II reportedly has 400,000 customers.

Spencer (Colin) Colvin 1946-2021

Colin, as he was known to all his friends and colleagues, joined UKSA in 2018. At the time UKSA had no formal Chair and Board meetings were chaired on a 'rotational' basis by the directors. However, it was becoming clear that UKSA needed a formal Chair if only to act as a figurehead to the outside world. Colin had previously held chairmanship positions at Luton and Dunstable University Hospital NHS Foundation Trust from 2010 to 2014 and at the freight forwarder Airport Services Limited from 2011 to 2015. As so often happens when people retire, Colin was finding that he had time on his hands. He missed the social interaction that work had provided and in particular the challenge of chairing an organisation. A chance meeting with an UKSA member in early 2018 resulted in a discussion about UKSA's work and, towards the end, a suggestion that Colin might like to think about joining UKSA and putting his name forward as a possible Chair. He jumped at the chance and following a meeting with the other Board members the appointment was made.

Colin always maintained that he was a 'chairman', not an investor, and that it was his chairmanship skills rather than his knowledge of investment that he was bringing to UKSA. In reality this was only partially true. In 1969 Colin had joined the transport company British Road Services (BRS) as a branch manager. BRS was the largest company within the National Freight Consortium (NFC), accounting for about 40% of its turnover. The NFC was at this time government-owned, the remaining rump of the old nationalised UK road transport industry. Colin progressed through the ranks of BRS and by 1983 he was a Director of BRS Northern.

However, by 1980 the NFC was in dire financial straits and was effectively bankrupt. The Conservative government decided that running transport businesses was neither one of its strengths nor its objectives and put the business up for sale. There were no expressions of interest. As a result, Peter Thompson (later sir Peter Thompson), then managing director of BRS, suggested to the government that he should organise an employee buyout. This was approved and in 1982 the buyout was completed. It proved to be a resounding success with almost all employees subscribing for shares. The culture of the business changed within months as everyone became more commercially focused. This was reinforced with quarterly meetings between management and employees to keep everyone up to date on progress, while AGMs were held over a weekend. All shareholders were encouraged to attend the AGM and participate, which they did in their thousands. Colin saw at first hand the power and benefits of employee share ownership and of ensuring that share-owners were fully engaged.

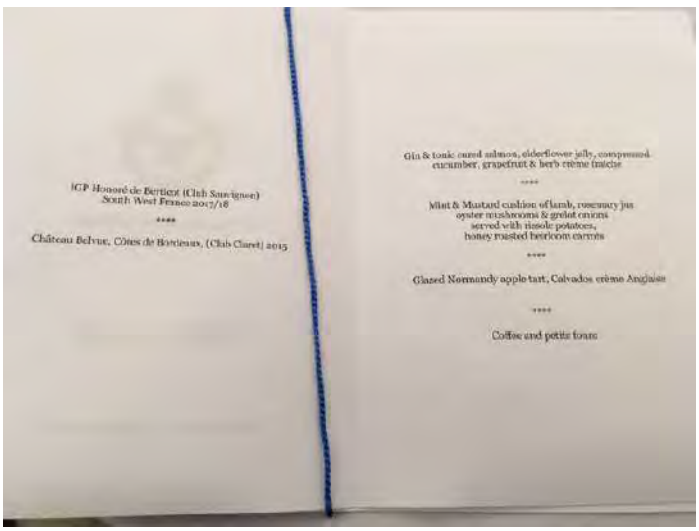
By 1985 Colin had become the Managing Director of BRS Southern and in 1989 when the NFC floated on the LSE the value of employees' original investments in the Company had increased approximately eighty-fold. Colin would certainly have recognised the enormous financial benefit that share-ownership can bring. He would have enjoyed these benefits himself and the financial freedom they gave him. However, it was typical of Colin that he never tried to claim that the success was down to him having the 'Midas-touch' or any special insights. He always recognised that he had been fortunate; he had been in the right place at the right time.

In 1992 Colin moved to Hayes Distribution as Managing Director of Specialist Services before leaving to start acquiring and running businesses – sometimes with former colleagues and occasionally with other family members. These included companies such as Air Action International, which provided international air, sea and road freight forwarding as well as express and mail services. Here he managed the acquisition, development and re-organisation of the Company before overseeing its sale. In another venture he and his son acquired and ran a small business supplying goods and services to disabled people. As if this was not enough, Colin also had

his own consultancy business, Focus on Logistics, providing advice and training. Colin would willingly provide input to other people's training courses and his audiences benefited greatly from his experience and wisdom. It was typical of him that he would subsequently refuse any payment of fees or expenses for his time, saying only that he had enjoyed it and was happy to do it.

Colin was also involved in a number of charitable and voluntary activities. He did a lot of work raising money for the Variety Club – often sponsoring and hosting a table at their annual fundraising event in London. There was nothing Colin liked more than getting out and meeting people and socialising with them. As Chairman of UKSA he greatly enjoyed visits to the regions and the opportunity that this gave him to meet UKSA members outside London. He also loved travelling. He greatly enjoyed cruising but also liked more adventurous excursions such as his trip to northern Brazil and the more remote parts of the Amazon in 2018.

Below are some additional photos of the social event held in mid-August.



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Privacy

UKSA takes your privacy seriously. Following the entry into force of the General Data Protection Regulation we have assessed our procedures to ensure compliance and have updated our Privacy Policy, which can be consulted on our website. Click here if you are reading the electronic version of this edition.

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CURRENT UKSA EVENTS

Company meetings

UKSA has a programme of online meetings.
Details of every event are e-mailed to members.

Meetings of UKSA Croydon & Purley Group

Location	**Spread Eagle, High Street, Croydon CRO 1QD** **Meeting dates will appear here.** **Chairman: Harry Braund harrycb@gmail.com**

UKSA BRANCHES – If no contact name or number is given, please contact UKSA office

Branch name	Leader	Administration	Main purpose	Description
London & South East Region	Harry Braund 020 8680 5872 harrycb@ gmail.com	Andrew Girvan 020 8788 1665 agirvan247@btinternet.com	To co-ordinate activities in London and the South-East	Meetings in Croydon three times a year
London company visits	Nick Steiner	Individual meeting organisers	To arrange private meetings with companies	20/30 meetings per year individually arranged
Croydon & Purley	Harry Braund 020 8680 5872 harrycb@gmail.com	Tony Birks 01322 669120 ahbirks@btinternet.com	Social meetings to discuss investment issues	Meetings in Croydon monthly
South West	Peter Wilson 01453 834486 07712 591032	Peter Wilson 01453 834486 07712 591032	To arrange and develop activities for members in the region	Company visits and social events as arranged
North East	Brian Peart 01388 488419	Julian Mole 07870 890973 julian.mole@ btinternet.com	To arrange and develop activities for members in the region	Company visits and social events as arranged
North West	Julian Mole 07870 890973 julian.mole@ btinternet.com	Julian Mole 07870 890973 julian.mole@ btinternet.com	To arrange and develop activities for members in the region	Company visits and social events as arranged
SmartCo	Charles Breese	Charles Breese	Arranging access to 'Smart Companies'	Programme awaiting start-up
Northern Rock Small Shareholders Action Group	Dennis Grainger nrssag@uksa.org.uk	Dennis Grainger nrssag@uksa.org.uk	Pursuing compensation for small shareholders affected by NR's collapse	Lobbying and awareness-raising activities