

AGM Report

Thought I'd better hurry and post the first instalment having read a few of the posts.

Just back across the border into Lancashire.

Yes, the AGM went on for a little over 3 hours and finished shortly after 2pm.

Margaret Young opened up with a review of the current situation including some stinging rebukes of the miscreants and a general review of where they are up to with the banks and bondholders - nothing new other than a little surprising that she should be quite so vocal about the ex-directors. She had probably read in this morning's tea leaves that an expert Lancastrian examiner was about to cross her path.

To precis - banks in agreement, bondholders not - following the recent notice from the Trustee, until agreement reached between them, then no accounts and therefore no re-listing. Could be months!

The floor was then opened up for questions. Enter Dredd - a not inappropriate monica, as they were about to find out.

His 51 question witchhunt (he's from an area of Lancashire close to Pendle Hill - the famed home of the Lancashire witches) went down a storm with the board as you might imagine! It also started to p**s off a few of the other investors as, thanks to him, proceedings protracted well beyond time for their afternoon nap (lots of elderly attendees - no ageism intended). Shall we just say it is highly unlikely that he'll be receiving too many Christmas cards from the board henceforth. He drove home lots of points and is clearly an expert questioner, though many, as had been anticipated, were batted back as unanswerable due to the potential compromise of future actions. He had a right old pop at the non-execs most of whom had served on the audit committee, had a pop at the auditors and basically asked what the hell they were all doing whilst the miscreants were creating their own accounting rules. The answer was that basically, there were that many of them at it that the audit committee and auditors, internal and external, were always given a consistent line and therefore never got to the bottom of the matter. That is, until the whistleblower was listened to late last year. The whistleblower was only unearthed at the meeting thanks to the very last questioner after almost 3 hours and again went down a storm. It was clearly never going to be referred to but resulted in some very forthright admissions from Margaret Young about how the whole matter came to light, for which I think she is to be commended, albeit that they would not have given such detail without having been questioned. After proffering his concerns to the FD, who ignored him, early in 2008, the whistleblower then approached PWC (external auditors). They listened to him and, get this, referred it back to the FD. Really bright! The FD ignored it again. Only after the matter came to the attention of the Non Execs at the end of 2008 did they start to do a full investigation.

After what seemed like an age at the questions lecturn (20 minutes?), during which the audience were lapping up Dredd's, investigative skills and sheer persistence, the board had heard enough. However, having stated that they would hear all questions and having recalled Dredd saying he'd put the whole day aside, they said that he must sit down and give someone else a chance, but only after telling him he come back for 'seconds' later. He cheekily managed a couple more, the first one of which was in at least 3 or 4 parts before he was forced to sit down. He said he'd got up to question 41, had missed out a few on the way but I'm sure had added a few back in as the thought struck him – admirable! By this time, as I mentioned earlier, one or two of the crowd had started to become almost as restless as the top table.

Throughout the whole of Dredd's interrogation, and afterwards, Margaret Young was constantly referring to the legal eagle from Freshfields on her right arm and the acting FD Jamie Smith on her left. A look to the right usually meant "can I answer that?" and a look to the left meant "what shall I say?".

Just as a quick aside, you'll be pleased to know that Sparkie Babe was there, a vision in purple. She's 6ft 2 in those purple heels but I'm sure she's only 3ft 4 without.

A number of other questioners got up and one tried to emulate Dredd but in truth was asking many of the same questions, he proved to be a poor imitation and another would – be questioner later barracked him when he wouldn't give up the lecturn.

Lots of the proceedings were backward looking. I asked at to the future. Current income levels – cash positive currently - and the plan moving forward. I asked about the plan and that there were cynics who saw this exercise as a run-off exercise. They confirmed that the were writing no new business but that not all of the lending had been short term and so that there is a more prolonged cash stream than short term (up to 3 year) loans. The board confirmed that they had a good relationship with the banks and needed to bring the bondholders on side – nothing new there. They are working with the banks, have agreed a plan and are currently on target to meet it (and so they should be, after only one month!). Jamie Smith confirmed that they are not paying any interest at the moment arising from the wrangle between banks and bondholders and that the cash is growing within the company as a result. He finally confirmed that if all agreed to tread water over the repayment of capital then the business is able to repay the interest from income, at least for the time being. He did stress that they needed to reach an agreement with banks and bondholders to allow the business to utilise some of the cash to write new business and that there is a plan in place. He also confirmed that they were considering where the business is placed and should be placed in the new financial world in order to exploit new business opportunities. There was a consensus that there is a very sustainable market but that it may not be in the same form as prior to the crash and that any new business model would be based on a leaner company with a smaller book.

One questioner accused the other (male) non-executive directors on the top table of hiding behind Margaret Young's skirts and if they were there to seek re-election they should at least be prepared to speak. This elicited contributions from all, who proclaimed

their innocence in relation to the past misdemeanours and went on to stress their commitment to the business. One stated that he was confident that MY had put together a new team who were working effectively (I'm sure it was Sparkie who, from behind me, snorted, "Sycophant!"). Dredd had earlier stated however that Jamie Smith was only a short termist and was drawing £2,000 per day plus bonus. Another fantastic 'find' that I'm sure the top table would have preferred not to have been aired in public!

As to the present, they confirmed that the board were working on a dual policy of cash collection and cost cutting and they confirmed that they had cut in the order of 1200 jobs down to something like 4,500.

Dredd came back for his final curtain call and once again put the top table to the sword. Again there were a number of questions they refused to answer on the basis that it may compromise future actions and I think it was another questioner who pressed them as to whether the police had been informed of potential criminal matters within the company. It appears that have not been informed as the board feel that any action of that sort will arise from the enquiries by the accounts board. It was another knockabout moment.

The voting took place on the six resolutions and unsurprisingly, given the very large institutional blocks of votes, were passed with handsome majorities of circa 90% with Resolution 6 passed at over 99%. Shows of hands in the room, on all of the directors' re-appointments were lukewarm, following all of the criticism of the board.

I'm sure that there are many gaps here, hopefully not significant ones, but I'm sure that Dredd and Sparkie will fill them in.