

Additional Case Studies

Chapter 5

A Change of People, Networks and Business – From Interregnum to Parkmead

Written and researched by Dr Haider Ali

Interregnum plc was founded in 1992 by Ken Olisa. Despite the economic downturn at the turn of the Millennium, by 2004 the company saw a profitable future in the focus of its activities. As it said in the annual report of that year: ‘Technology markets are coming back to life as investors and acquirers return to the IT and communications sector, reinvigorated by a realisation that significant wealth will once again be generated by the industry. Access to the opportunities remains a challenge, however. As a technology merchant bank, Interregnum provides a way for individuals and companies to take advantage of technology’s renaissance’. Chairman, Ken Olisa said, ‘We see two distinct opportunities to create wealth from technology over the upcoming months and years – consolidation of businesses from the older eras and the emergence of the next generation of products and services in what we call the Age of Ubiquitous Computing. Accessing those opportunities requires a range of capabilities which include: specialised technology market knowledge, and experience to spot the winning concepts and teams; operational experience to add value to those management teams; investment firepower to be able to take principal positions; and corporate finance skills combined with an extensive contact network to be able to effect complex transactions and exits. We group these activities under three headings – creative people, powerful network of contacts, and capital – the three defining characteristics of a merchant bank and apply them to opportunities with the sole purpose of generating wealth’. However in the three sets of accounts prior to 2006 the company did not actually list the experience and qualifications of its management.

Although loss-making in 2005 the company was still upbeat, ‘Since year end that growth has continued, exemplified by the large advisory transaction of more than £500k which we closed in October 2005. The additions to this team have genuinely transformed it,

which is why I remain confident that Interregnum will reach operational profitability during FY2005/6 – our previously stated plan’.

However, by 2006 sentiment had changed. During the first half of the year ended 30 June 2006, it became clear that the former business model of the Group was not viable, in terms of both profitability and growth. In particular, the Group’s cash resources were in decline and the Group’s trading subsidiaries were not, and were not likely to be, cash generative in the near term. In light of this, the Board agreed to implement a number of significant changes to address these issues. The changes included exiting from the company’s existing businesses and investments and a move away from technology specific investments to a broader mix. A fundamental part of that change was the resignation of existing board members and the arrival of a new team. New members of the board included people with oil industry experience. There was also a change of company name, from Interregnum to the Parkmead Group.

During the year Niall Doran was appointed Chief Executive Officer with John Leggate and Brian Wilson, and Colin Goodall as Non-Executive Chairman. Subsequently Tom Cross was also appointed as a Non-Executive Director. The major shareholders in 2006 included David Mills with 20%, Ken Olisa with 9.68% and Niall Doran with 9%.

The backgrounds of the new management were as follows. Niall Doran joined the Energy Practice of Accenture in 1996 and was appointed a partner in 2000. John Leggate was CIO & GVP strategic supply chain management for BP, with over 20 years’ experience in the oil business. Rt. Hon. Brian Wilson was a former Labour government minister who stood down at the last election after 18 years in Parliament. Between 1997-2005, he held five ministerial posts, including Minister for Trade and Minister for Energy. At the time Tom Cross was Chief Executive of Dana Petroleum plc. As well as being a Chartered Director and petroleum engineer with extensive energy sector experience spanning projects in over 20 countries. Tom was Chairman of BRINDEX, the Association of British Independent Oil Companies and a Fellow of the Institute of Directors.

The company then undertook a reduction in its cost base and raised £10.0 million before expenses through a placing with institutional investors and undertaking the sale of its portfolio and moving away from an exclusive focus on the technology sector and engaging in corporate finance advisory activities across the telecom, defence, transport and energy

sectors. By 2007, there had been even more changes, the company declared in the annual accounts of that year that ‘the group is now focused on providing advisory services to and investing in the oil, gas and energy sectors’.

By 2008 the company had begun to refocus its attention and had invested £8.3 million in various energy assets including Transeuro Energy Corporation, PA Resources, RXT and Faroe Petroleum. The latter company was one that had a relationship with Dana Petroleum, which was also a substantial investor in it. The Parkmead Group continued to reinforce its access to expertise in the energy sector through the creation of an Advisory Board which included Mr. David Bamford (a non- executive Director of Tullow Oil plc), Professor Peter Davies (formerly Chief Economist at BP plc) and Mr. Faysal Hamza as a non-executive Director who would provide the Group with access to expertise and networks in the Middle East. Faysal Hamza was Managing Director of the Swicorp Joussour Company, a \$1 billion private equity vehicle focusing on the Energy Sector.

By mid-2010, there had been a complete transformation in the ownership and direction of Parkmead Group, 27% of the equity was now held by Tom Cross and his wife Linda. Dana plc, of which Tom Cross had been CEO, was bought out by the Korean National Oil Company and as investors realized that Parkmead would be Tom Cross’s new vehicle for oil and gas investments, the share price rose 7 fold in a period of six weeks in late 2010.

For information on subsequent developments at Parkmead Group, you could search for news items and annual reports on the company website: www.parkmeadgroup.com and review recent media coverage.