

# INTELLIGENCE AND INSIGHT economia

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FIGHTING MONEY LAUNDERING  
**THE INTERNET OF THINGS**  
SHARED AUDIT  
**TAX PLANNING GUIDANCE**

## SUCCESS ON TAP

Creating a thriving brewery business is tough at the best of times, but in the seven years since he left Deloitte, Duncan Sambrook's eponymous brand has thrived in a world where craft is king

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# *When it comes to the country living within its means, George Osborne is clear he plans to “finish the job” he started in 2010. It means more cuts in spending.*

Whether the country is ready for another bout of austerity, which is the likely outcome of the Comprehensive Spending Review (CSR), remains to be seen. But across Whitehall, civil servants in pretty much all government departments are scurrying around looking for projects to can and schemes to scrap in order to help them achieve savings of at least 25% and possibly as high as 40%.

Few people (and only a few politicians) are willing to question the need to keep a sensible grip on public finances. Even Jeremy Corbyn's new Labour frontbench agrees with the ambition of balancing the books (albeit without a definite date). Meanwhile, lobbying groups such as the Taxpayers' Alliance exist only to highlight the scale of government waste.

But it's not clear that “cut first, ask questions later” is the best approach. In the private sector it would be unthinkable for a financial turnaround to focus solely on expenditure, without looking more broadly at the full financial picture.

As ICAEW rightly identified in its response to a Treasury call for views on the CSR, with another round of austerity coming (and the government is talking about cutting as much again during this Parliament as it has done over the last five years), a comprehensive financial review (CFR) would make more sense.

The central ambition of the CSR is really to achieve long-term financial stability. This is something that a CFR would be much

better placed to provide. For all the realities and short-term political pressures, this review is the chance for government to think about the long-term financial implications of its decision-making.

At the moment, the last-minute budgetary horse trading created by the CSR pitches government departments against each another. And as the ICAEW response clearly states, this creates “winners and losers” which ultimately means everyone loses from this approach.

Not all government spending is created equal, but it doesn't necessarily follow that productivity- or quality-of-life-enhancing “good” spending is necessarily the hardest to cut. As a result just looking at expenditure numbers in isolation isn't enough. The government should consider some measure of the outcomes from spending. “It is essential that inputs and outputs are brought together so that we can really understand the trade-offs and choices being made,” was ICAEW's take.

This approach is closer to private sector practice and could benefit the public sector. Few successful businesses focus as much of their energy on reducing one year's net debt as the government does on the deficit. It seems unlikely there is time between now and November for the Treasury to implement a broader-ranging CFR, but it would surely result in a better outcome to place more emphasis on long-term balance sheet management and less on shorter-term spending pressures.

## **A timely reminder of why we still need better governance**

The death last month of Sir Adrian Cadbury, rightly seen by many as the father of the UK's corporate governance code, prompted many fond memories of the both the man and his tireless work to deliver a safer, more reliable framework of corporate oversight in the UK.

Sir Adrian's pioneering work helped to propel the UK to the front of the pack in terms of governance, and much of what is still considered best practice were his committee's proposals.

The code has, of course, been regularly updated since. But the reminder of Sir Adrian's work also prompted us to ponder the reality that now is an ideal time to honour his memory with a complete overhaul of the code.

Today's business environment is vastly different from that of 1992 and we need a system of governance better able to cope with the pressures faced by those running businesses today.

Above all we should consider moving from a system based on rules to a system built around broader principles. It's an approach we feel would serve the memory of Sir Adrian well.



# ICAEW in this issue

**“Tax plays out in a more public domain than it did in the past. But morality is not a particularly helpful thing. Advising people is all about exercising your professional judgement”**

**P74 Ian Young, technical manager, ICAEW Tax Faculty**

“It is important to ensure benchmarks used as price reference points are robust, reliable and not being manipulated”

**P41 Iain Coke, head of Financial Services Faculty, ICAEW**



**64  
MEMBER  
PROFILE**  
Leslie Ferrar

“Generally speaking, investors have said that when you have two firms signing the audit report the question is who is responsible? Under current auditing standards both are, so that means you do get duplication of work”

**P58 Henry Irving, head of audit and assurance, ICAEW**

“Productivity by sector is not well documented”

**P70 Robert Russell, technical manager, ICAEW Finance and Management Faculty**

“I don’t think HMRC wants to regulate the tax profession, but I don’t think it would be right if it did since it runs the tax system on behalf of government”

**P72 Peter Bickley, ICAEW Tax Faculty**

## MORE ICAEW COMMENT

**P16** Andrew Ratcliffe, ICAEW president

**P26** Michael Izza, ICAEW chief executive



## Contents October 2015

### HIGHLIGHTS

**32**

### ALE AND HEARTY

How Duncan Sambrook moved from Deloitte to the business of beer and is riding the wave of the British brewing revival

**48**

### CONNECTED WORLD

The Internet of Things is changing the way we live and do business, so accountants need to understand the benefits and challenges

**58**

### TWO BE, OR NOT

With shared audit in the spotlight after the introduction of new EU regulations, we examine the appetite for it

**72**

### QUESTIONS OF CONDUCT

Why concepts such as morality and reputation are becoming as important as technical issues in the provision of tax advice

### THE AUDIT

**10** The month in review

**12** Good month, bad month

**15** As I see it: Carla Stent

**16** From the top: Andrew Ratcliffe, ICAEW president

**19** The graph: numbers from the news last month

**20** Tales from the frontline: Chantall Ridd-Jones

**22** ICAEW news and events

**24** Book review; Career clinic

### OPINION

**26** Michael Izza, letters

**28** Bronwen Maddox

**29** George Magnus

### FEATURES

**32** Duncan Sambrook

**36** Fit for lending

How Andrew Dent funded the Family Traveller business without a bank loan

**41** Shock doctrine

Can commodity traders futureproof themselves against the effects of market volatility



32



COVER: NICKY JOHNSTON

There is more technical insight online, with daily news and weekly updates. Digital exclusives on the website this month include:



#### TAX

Like cats and dogs, FATCA and CRS share some fundamental features but you don't have to go too far below the surface to find the differences between the two



#### CAREER

In the latest edition of our Many Ages of the Accountant series we give some tips for accountants in their 30s. It can be a time for tough choices



#### PROFESSION

We analyse the trends, challenges and opportunities facing the UK's small and medium-sized accountancy firms

## Digital highlights [icaew.com/economia](http://icaew.com/economia)

#### 46 Debate

Is the UK's anti-money laundering scheme fatally flawed?

#### 48 The Internet of Things

#### 53 A day in the life

Martin Augier on what drove him to exchange accountancy for the business of trading cars

#### 58 Shared audit

#### 62 Essay

Duncan Cheatle on looking beyond academic ability for talent

#### 64 Member profile

Leslie Ferrar, chairman of The Risk Advisory Group

#### TECHNICAL

#### 66 Accountancy briefs

News round-up

#### 70 In production

Unpicking the productivity measurement puzzle

#### 72 Tax conduct

#### 74 Finance Bill

How the Summer Budget affects accountancy

#### 76 Approachable Accountants

Practice profile

#### 80 Disciplinaries

#### LIFE

#### 84 Time is right

Six of the new breed of British watchmakers

#### 90 In review

What to do with your time off

#### 92 Restaurants

Dining destinations that time forgot

#### 98 Life after work

Martin Cooke on the joy of volunteering

74

#### FINANCE BILL

What you need to know



#### GENDER

How do paternity packages in the accountancy industry compare?



#### INTERNATIONAL

Puerto Rico's economy is declining at an alarming rate as people leave for the US mainland. As public debt soars, the government says it cannot pay

#### ELSEWHERE ONLINE

HMRC hounded on Twitter

Deloitte in top 10 for graduate employers

FTSE 100 sets aside £1.66bn for tax litigation

Rugby World Cup to contribute £2.2bn to the economy

#### ECONOMIA A.M.

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# The all-new Audi A4

The all-new Audi A4 is up to 120kg lighter than the outgoing model, around 21% more fuel-efficient and offers CO<sub>2</sub> emissions of less than 100g/km

Efficiency blends with elegance in the all-new Audi A4, which is up to 120kg lighter than before, more powerful, more efficient and more intelligent than ever.

The all-new A4 is slightly bigger than the outgoing model, yet new lightweight construction and class-leading aerodynamics help achieve fuel consumption reductions of up to 21% with benchmark aero-acoustics.

## Engineered for power with efficiency

Power outputs in the all-new A4 initially will range from 150PS to 272PS, with a choice of three TFSI units and four TDIs. The latest TDI technology helps to achieve CO<sub>2</sub> emissions of less than 100g/km for the new 2.0 TDI ultra 150PS Saloon models, promising lower BIK tax for company car drivers and exemption from Vehicle Excise Duty in 2015/16.

Six-speed manual, 7-speed S tronic and 8-speed tiptronic transmissions, all of which are substantially reworked for the new A4, are available depending on engine choice.

## Pioneering driver assistance features

Numerous driver assistance systems are available for the first time including Adaptive Cruise Control with Stop & Go Traffic jam assist and Predictive efficiency assist, which not only make driving easier in slow-moving traffic, but also help reduce fuel consumption by up to 10%.

Other options include Audi Virtual Cockpit, Head-up display, Parking assist, 360° camera, rear cross-traffic assist, exit warning, collision avoidance assist, turn assist and the Audi pre-sense crash mitigation systems.

## SE, Sport and S line trims, with premium equipment

Audi's new 'horizontal' interior design features a continuous



air vent across the dash, a 7" high-resolution MMI display and a 'floating' dash effect for a truly premium feel.

SE, Sport and S line trim levels offer generous equipment: SE comes as standard with 17" alloy wheels, Xenon headlights, Audi Drive Select, deluxe three-zone climate control, cruise control, MMI radio plus with smartphone interface, Pre-sense city and Multi-collision brake assist, keyless go, a three-spoke steering wheel and power tailgate operation on Avant models.

The new Sport trim adds MMI Navigation – low, with Audi Connect (three-month trial), Sport styling – exterior and interior, front Sport seats, LED interior lighting and Audi Sound System, while S line includes all-LED headlights and LED rear lights with dynamic rear indicators, cloth/leather upholstery, bold S line styling and 18" alloy wheels.

Images are shown for illustration purposes only. Official fuel consumption figures for the all-new Audi A4 Saloon range in mpg (l/100km): consumption figures for the all-new Audi A4 Avant range in mpg (l/100km): Urban 35.8 (7.9) – 60.1 (4.7), Extra Urban 51.4 (5.5) – 78.5 (3.6), driving results. Optional wheels may affect emissions and fuel consumption figures. For more information visit [www.audi.co.uk/a4](http://www.audi.co.uk/a4)



## The all-new Audi A4: comparisons

	Audi A4 Saloon 2.0 TDI ultra 190PS Sport	BMW 320d Sport	Mercedes-Benz C220 BlueTEC Sport
P11D price <sup>1</sup>	£30,945	£30,030	£31,720
Max power	190PS	190hp	170hp
CO <sub>2</sub> emissions (g/km)	102	111	103
Combined fuel consumption (mpg) <sup>2</sup>	72.4	67.3	68.9
First year VED (Band/£) 2015/16	B/0	C/0	B/0
Three-year BIK tax liability <sup>3</sup>	3,342/6,684	3,603/7,207	3,425/6,851
Alloy wheels	17"	17"	17"
Satellite navigation	Audi MMI navigation	BMW Business Advanced	Garmin Map Pilot
Upholstery	Sport seats, Atrium cloth	Sports seats, Corner cloth	Sports seats, Artico <sup>4</sup> leather
Parking sensors	Standard (rear)	Standard (rear)	Parktronic system
Climate control	Deluxe 3-zone	Dual-zone	Thermatic two-zone
Cruise control	Standard	Standard	Standard
Metallic paint	£615	£645	£645

All details correct at September 2015.

<sup>1</sup> The price for BIK tax purposes.

<sup>2</sup> Standard EU Test figures are for comparative purposes and may not reflect real driving results.

<sup>3</sup> Total BIK tax liability in 2015/16, 2016/17 and 2017/18 for 20%/40% tax payers (full years). <sup>4</sup> Artico: man-made leather. Please note: The information given with regard to the tax liability of drivers is for guidance only and reflects current pricing. The tax position for different drivers will vary according to their personal circumstances and drivers should consult a tax accountant for specialist advice. All tax figures are based on the latest production models. Please check with your supplying dealer the official CO<sub>2</sub> emissions of the model in which you are interested



Urban 35.8 (7.9) – 62.8 (4.5), Extra Urban 52.3 (5.4) – 83.1 (3.4), Combined 44.8 (6.3) – 74.3 (3.8). CO<sub>2</sub> emissions: 144 – 99g/km. Official fuel Combined 44.1 (6.4) – 70.6 (4.0). CO<sub>2</sub> emissions: 144 – 99g/km. Standard EU Test figures are for comparative purposes and may not reflect real



# In review

## THE INTERNATIONAL PICTURE

# £4.2bn

Seeking to shore up its balance sheet, Tesco sold its Korean business, Homeplus, to a consortium of investors led by MBK Partners

### TESCO SELLS KOREAN BUSINESS

Supermarket Tesco announced it was selling its Korean arm, Homeplus, to a consortium of investors for £4.2bn. The decision forms part of a number of cost-cutting moves implemented by Tesco CEO Dave Lewis as the supermarket tries to repair the damage caused by last year's accounting scandal. As the news broke that Tesco would effectively be exiting Korea, the firm's shares rose by 1.3%. Lewis said the sale would allow Tesco "to make significant progress on our strategic priority of protecting and strengthening our balance sheet".

Last year, Tesco was found to have overstated its profits by £263m over a two-year period. Senior directors were forced to resign as the Serious Fraud Office and Financial Reporting Council launched separate inquiries.

### MYANMAR ELECTION CAMPAIGN

Campaigning has begun in Myanmar for the first openly contested general election in 25 years. Aung San Suu Kyi's National League for Democracy, which has been campaigning since 1988 for an end to military rule, is widely expected to win but over 90 parties will stand. In a message posted on Facebook, Suu Kyi called for the world to scrutinise the polls, and for a free and fair election. "For the first time in decades our people will have a real chance of bringing about real change," she said. "This is a chance that we cannot afford to let slip."



## Rugby World Cup to boost UK economy

According to a report from EY, the Rugby World Cup this month will boost UK economic output by £2.2bn, adding £982m to national GDP this year. Held in 13 venues across the UK, a record number of international visitors are expected, driven by a rise in the sport's global popularity. EY said that a total of 466,000 international visitors were due to arrive throughout the tournament's duration. These guests are expected to spend around £896m while they are visiting the UK.

### FTSE 100 firms set aside £1.66bn for tax disputes

According to Thomson Reuters, FTSE 100 companies have set aside £1.66bn for tax litigation in 2015. This figure represents a substantial 31% reduction from 2014, when FTSE 100

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firms held £2.39bn in preparation for tax disputes. "Governments are keen to be seen to tackle the problem. No business wants to be made an example of, or to find itself explaining a costly settlement," said Raichel Hopkinson, head of the practical law dispute resolution service at Thomson Reuters.

### Toshiba profit loss

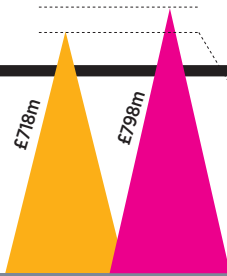
Accounting irregularities were revealed at technology company Toshiba earlier this year when it admitted to overstating profits. Last month the firm posted its results again, stating that for the period from the fiscal year ending March 2009 until the third quarter of fiscal 2014 ending in December, its net profits were a total of ¥224.8bn (£1.8bn) lower than previously stated. The company also reported a net loss of ¥37.83bn (£206bn) for the year ended March 2015. Toshiba announced large write-downs in units including nuclear power plants, semiconductors and home appliances.

## 31%

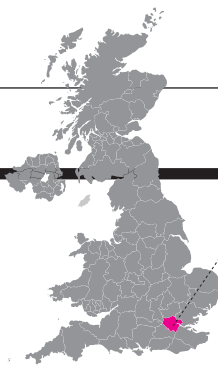
Reduction in the  
amount of  
money FTSE  
100 set aside for  
tax litigation  
from 2014 to  
2015



## UK FRAUD RISES



**£80m**  
INCREASE



LONDON UK  
FRAUD HOTSPOT  
**£460m**

AVERAGE COST  
PER FRAUD  
**£3.27m** **79%** ON PREVIOUS YEAR

H1 2014 H1 2015

Source: BDO Fraud Tracker

### CEO bonuses jump 3%

According to research from PwC, FTSE 100 bosses enjoyed a 3% increase to their bonuses over the last year. The average bonuses rose to £1.2m, taking the average pay package to £4.28m, representing a 6.8% increase. Average bonus pay-outs have been unchanged for the past three years at 72% of the maximum award. Despite the rise, PwC said that executive pay had remained largely static in the wake of the financial crisis, and that remuneration committees had shown "restraint". Tom Gosling, an executive pay partner at PwC, said that it is becoming "harder to earn more".

### Challenger banks hit out at new bank surcharge

Challenger banks, including TSB, Secure Trust Bank and OneSavings Bank, have criticised the government over its 8% surcharge. The levy, which applies to all banks with annual profits worth £25m or more, could hit building societies and new banks disproportionately hard. Challenger banks say the tax could result in a £6bn reduction in lending to SMEs over the course of this parliament.

### ASOS COO takes top job

Nick Beighton, the chief operating officer for online fashion retailer ASOS and ICAEW Chartered Accountant, will take over as CEO following the resignation of founder Nick Robertson. Beighton, the former chief financial officer, joined the internet-based company nine years ago. Robertson, who built ASOS over 15 years, will remain on the board.

### Number of zero-hour contracts jump by 20%

The number of people holding zero-hour contracts as their main source of employment jumped by almost a fifth to 744,000, according to the latest figures from the Office for National Statistics. Typically, workers with zero-hour contracts work 25 hours per week, with 40% wanting more hours than they are given. Despite criticism from campaign groups, zero-hour contracts were defended by the CBI as a necessary part of a flexible labour market, but the business group did warn against the bad practices that are often associated with zero-hour contracts.

### Celebrity tax probe

Husband and wife **Vernon Kay** and **Tess Daly** (below) are reportedly the latest celebrities named in a HMRC avoidance probe. Alongside television presenter Dermot O'Leary and former pop star Rachel Stevens, Daly and Kay are part of the £14m Beaumont Film Partnership. The scheme, which allows participants to defer income tax bills over 15 years, is now under investigation by HMRC. The news follows a similar story from last year, when a number of stars were caught up in HMRC's investigation into the hyper-aggressive Liberty tax plan, which helped shelter £1.2bn for some 2,000 investors and is still appealing against the investigation. If the Beaumont Film Partnership is found to constitute aggressive tax avoidance, Daly and Kay could face repayments and penalties for their involvement.

**8%**

Levy on all banks with annual profits worth £25m or more that was introduced by George Osborne



GETTY IMAGES, REUTERS



### REBEKAH BROOKS

Previously pilloried (and eventually found not guilty) over the phone hacking scandal, former *News of the World* editor Rebekah Brooks was appointed CEO of News UK, replacing Mike Darcey. Brooks had been forced to resign from News UK in 2011. She said it was “a privilege” to be back working for the company.



## Good month Bad month

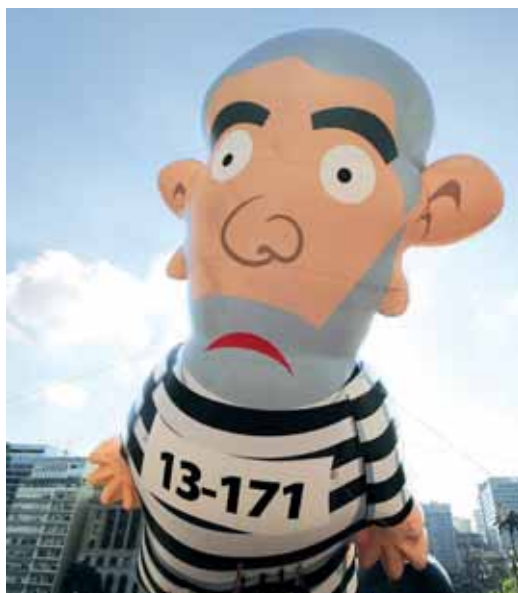
This month, the fortunes of Rebekah Brooks, Iran and DFK International were all looking up, while things looked less rosy for Brazil, the high street, and drinkers

### IRAN

Following the signing of a new nuclear deal, UK foreign secretary Philip Hammond (with a supporting trade delegation) re-opened the British embassy in Tehran, signalling a possible end to economic sanctions. The foreign secretary said the step was key to improved relations but stressed the two countries did not see eye-to-eye on everything.

### DFK INTERNATIONAL

DFK International welcomed two London firms, Carter Bacter Winter and Wilson Wright to its stable. The move means that DFK UK now has 18 member firms across the British Isles, including the Isle of Man and the Channel Islands.



### BRAZIL

The country's economy officially slipped into recession in the second quarter as high inflation, plummeting consumer confidence and a corruption scandal involving state-owned Petrobras led GDP to contract 1.9%. The news will come as a blow to the government, which faced protests over spending on the 2014 World Cup and the 2016 Olympics.

### DRINKERS

The Institute of Economic Affairs (IEA) revealed that drinkers were effectively subsidising non-drinkers to the tune of almost £6.5bn a year. While drinkers cost the state nearly £4bn a year, they pay £10bn in tax. The IEA said it was time to stop labelling drinkers as a tax burden.



### THE HIGH STREET

Accountancy firm BDO reported the high street's worst fall since the financial crisis, with retailers blaming bad weather and the strength of the pound for a 4.3% slump in sales. The number of domestic holidays also decreased as more Brits went abroad.

GETTY IMAGES, REUTERS

Income Protection is a



## Does your company look after its most important assets?

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# As I see it

Carla Stent is a former COO of the Virgin Group. She is currently a trustee of Christian Aid and sits on a number of other boards

Working for Richard Branson was both a pleasure and a challenge – nothing is ever impossible with him.

**I'm working just as hard as I was when I was CFO at Barclays. I don't mind doing it when I love what I'm doing and I feel I am really adding value.**

When I qualified in South Africa there were only two women in the articulated clerk pool, the only other women in the business were the bookkeepers and PAs.

**Nelson Mandela was a fantastic post-apartheid leader. He was strong without trying to be tough. I think there's a big lesson business can learn from that.**



**AMBITIONS** When I was at school I thought I'd like to be a speech therapist or a geologist. I was rubbish at science so they weren't really an option, but maths came naturally to me. My father was a businessman and I was always fascinated by his work: his sales numbers and his targets, and how he struck commercial deals.

**A PORTFOLIO CAREER** I spent the last part of my executive career working for the Virgin Group. My life was so eclectic and varied, one minute talking about gyms and the next about going into space. I thought I'd struggle to get that variety in another executive role so I've tried to recreate it in my own portfolio, which I divide into three areas: investments, consultancy, and non-executive positions.

**CHARITY WORK** I'm on the board of Christian Aid. It's a huge business, it raises and spends £100m a year in some of the most challenging areas of the world. Charities are increasingly running as businesses. People want to make sure their money is having a real impact. I'm also on the board of a small charity called the Young Women's Trust and a community regeneration charity called Power to Change.

**WOMEN IN BUSINESS** Business still isn't the easiest space for women to operate. Businesses have a lot of women coming through the early stages of their careers, but it's at executive or management level that you lose a lot of them. Being able to succeed is about confidence and resilience.

**PROUDEST MOMENT** As operations director at Thomas Cook I was involved in the sale of the business. I had never done anything of that size or on such a global scale but I was given the opportunity. I knew nothing about travel and very little about the Travellers Cheque business, but we successfully sold the businesses in record time. That was a watershed in my career and allowed me to think more strategically.

PHOTOGRAPHY: FELICITY MCCABE

# From the top

**T**his is my first column after the summer break and I am reminded of the default essay subject, “what I did during the holidays”, that was set on returning to school. So here goes. In August, I visited Botswana and Zambia where ICAEW has been working with the local accountancy institutes to help them develop and improve. We think that a skilled cadre of professional accountants is as important to a country as the rule of law; and for a nation’s accountancy profession to be strong, there need to be strong national organisations. We work with them to help establish qualifications, improve services to members, strengthen standards and develop organisational governance. Our aim is always that they are sovereign.

ICAEW’s dedicated international capacity-building team has worked on more than 30 such projects now in Asia, Africa and Europe, with donor agencies such as the World Bank, African Development Bank and DFID (the UK’s Department for International Development). This work is building our reputation as an authority on the design and operation of regulation.

My time in Africa was spent meeting executives and office holders of the national institutes, their regulators, local employers, members and students, gathering feedback discussing how we could help further.

In Botswana, we worked with the Botswana Institute of Chartered Accountants (BICA) to develop a new professional qualification to attract the best students into the profession. BICA now uses ICAEW’s exams and we expect the first successful candidate to qualify later this year. This project has helped to strengthen BICA’s standing in Botswana’s business and financial infrastructure and to raise its profile in Africa.

Talking to stakeholders showed me just how far the profession had come since the new qualification was launched and also what kind of help

they might need next. I led a seminar for about 100 students, discussing what role they could play in their country’s future. They were an impressive and enthusiastic group.

In Zambia, we are working with the Zambian Institute of Chartered Accountants (ZICA) to revise their professional qualification, a project funded through DFID. Our advice has now been largely approved by the ZICA Council and my conversations showed me widespread support for the reforms. Before I left, I gave a keynote speech at ZICA’s annual conference on developing the accounting profession.

It wasn’t all work. On my last morning in Zambia I squeezed in a visit to Victoria Falls. I got there as dawn was breaking. There was no one else there. Spectacular! ■



Have your say  
email [president@icaew.com](mailto:president@icaew.com)

**Andrew Ratcliffe details the close work ICAEW is carrying out with sister organisations in Africa**



PHOTOGRAPHY: DOMINIK TYLER



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# DB PENSION ARRANGEMENTS: GETTING HELP TO ACHIEVE TANGIBLE RESULTS



James Patten, partner at Aon Hewitt, explains how schemes can address common frustrations with the operation of their defined benefit (DB) pension arrangements

Earlier this year, we carried out a survey looking at how pension matters are considered by trustee boards. Entitled 'Time to focus on getting things done', it found that:

- 70% felt that decisions sometimes take months from being raised to being implemented
- 60% felt there are frequently agenda items at trustee meetings that do not require decisions
- 40% felt they couldn't consider opportunities at short notice.

Companies and trustee boards often share similar frustrations, with many of our corporate clients questioning the amount of trustee meeting time spent on items of day-to-day governance, and the lack of tangible results for the time invested. In the face of ever-escalating pensions legislation it is no surprise that many trustees feel they are only able to tread water.

## How can we help trustees achieve more tangible results?

We have recently been pioneering a new delivery model called 'Get Help.' Effectively this model mirrors the structure of many corporate entities. The directors (i.e. the trustees) focus most of their time on the overarching strategy while retaining some oversight of results, leaving the business (i.e., trusted advisers, the trustee secretary or pensions manager) to focus on making decisions and delivering in accordance with that strategy.

We have seen that at some trustee meetings, particularly for mid-sized schemes, much of the time is often spent on 'information only' delivery items such as reviewing reports from administrators, or presentations on quarterly scheme funding updates, or from investment managers.

Under a 'Get Help' approach, time is only spent on items that require real strategic consideration and action. Third parties (such as a trusted adviser) are held accountable for ensuring day-to-day decisions are made in accordance with strategy and are challenged to ensure that trustees' time is spent only on the governance items that really matter. This can shrink the time dedicated to these items from four or five hours down to two.

Trustees can then focus on strategy, forming a strategic business plan and prioritising actions over the short, medium and long terms, in much the same way as company directors.

## Why have few schemes adopted such an approach to date?

In part, this is because 'getting help' will not be right for all schemes. The largest schemes may have enough internal resources to manage arrangements themselves in a way that adds significant value, given the size of the scheme relative to the business. Others may wish to 'get help' for certain activities only (e.g., the DB investment strategy or DC AVCs).

Also, the market is just waking up to this new approach following the success of fiduciary investment management, an approach that has adopted the same principles for scheme investment.

Schemes may also be concerned about the fact that less time is being spent on governance items by the trustees. The fundamental point is that this allows trustees to focus more time on strategy – working with the employer to agree long and short-term objectives. This in turn allows the employer and trustees to focus on value-adding projects that help achieve tangible progress.



## How can employers encourage a strategic focus?

Of course when something has been done a certain way for many years it can be difficult to instigate change. As with fiduciary management, in some cases it will be employers rather than trustees that lead the way.

The 'Get Help' approach will not be appropriate for all schemes. However, certain principles will be, for example supporting the trustees in achieving a 'director-like' role, with a strategic focus. This will help to ensure that trustees' valuable (and often voluntary) time is leveraged to greatest effect.

For a free copy of Aon's research into effective pension scheme governance and delivery models (including our recent governance survey) or for a free meeting regarding your own circumstances please email [talktous@aonhewitt.com](mailto:talktous@aonhewitt.com).



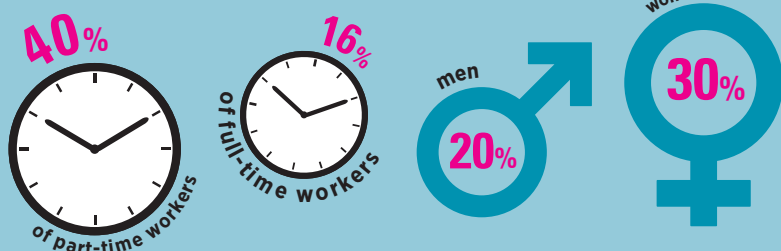
James Patten  
is a partner  
at Aon Hewitt

# The graph

News from the last month, including Jamie Oliver's sugar tax, Uber's funds for China, FTSE CEO pay levels, and some record-breaking minutes for Her Majesty

## Who will gain from the National Living Wage by 2020?

The following workers will see their wage topped up...



## Jamie Oliver's sugar tax

7p per 330ml can could raise £1bn a year

He proposes ring-fencing revenue to support preventative strategies in the NHS and schools around obesity and diet-related disease

33,446,430 minutes

approximate length of Queen Elizabeth II's reign when she passed Queen Victoria's record this month

## FTSE 100 CEO pay

Number of CEOs receiving no pay rise

36% in 2015  
25% in 2014

Median annual bonus

£1.12m in 2015,  
a 3% increase from  
£1.08m in 2014



11,500

Amount of complaint tweets HMRC received about its phone queues this year

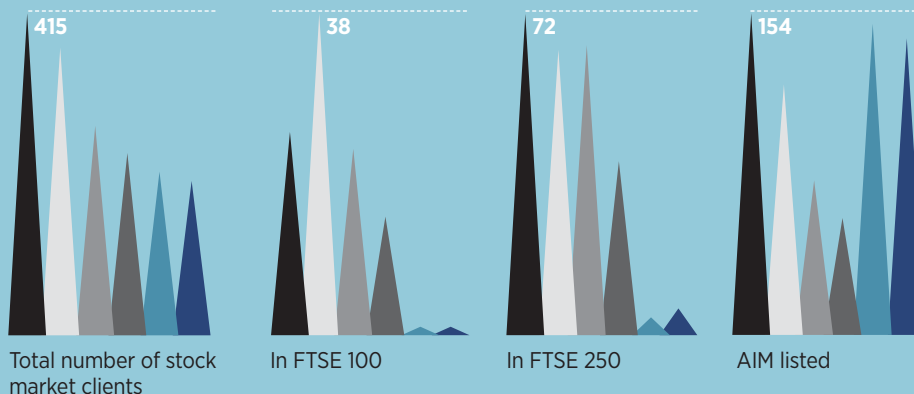


\$1.2bn

raised by Uber for Chinese expansion

## Number of audit clients

■ KPMG  
■ PwC  
■ Deloitte  
■ EY  
■ BDO  
■ Grant Thornton



JOSEPH SOHN/SHUTTERSTOCK, FEATUREFLASH/SHUTTERSTOCK









**M**y family has been farming since the 1940s. I would love to say that joining them was a conscious decision but I'm not that organised. I worked for EY from 1996 to 2006 and was a senior manager in the insurance audit department, a job that I absolutely loved. When I entered my thirties and started having children we decided we would move out of London to be closer to my family in Northamptonshire. At that point I had to weigh up my options.

I realised that if I was working fewer hours and dealing with a long commute I may not be able to do my job at EY to the same level. At about that time there was an opportunity for the family business, which was managed by my brother, to expand and acquire more land. It became apparent that we would need somebody to take a more hands-on role. We were suddenly taking on 25

asparagus as well as a large dairy herd. Milk production is in trouble in the UK. In Poland, our labour costs are about one fifth of what they would be here. Living costs and overheads are lower so the wage bill is lower. The economics stack up much better.

There are also different types of soil, which allow us to produce high-end crops. These need lots of labour to pick them properly so Poland is ideal for that.

Our expansion was rapid, but we weren't unaffected by the recession. We bought our farm in Norfolk in 2006. We paid for a business and within 12 months of owning it the recession hit, so buying lawn turf was not on the top of everyone's agenda.

We have been through lean years and managed to keep the business going without making anyone redundant, but there have been years where we have made a loss or not made profit.

Working with family only works because we have got different responsibilities. We would kill each other if we were all trying to do the same thing. My brother is the operations person. He knows how to grow things, what chemicals and machinery to use. There is no point pretending I have knowledge in that department beyond that of a farmer's daughter. My husband has taken on most of the finance side of the business, he does the legal, tax and accountancy work and I manage the HR for the 80 or so employees. We sit on the boards of all of the businesses.

I can be very flexible. I am in the office two days a week and fit everything else around it. That's the luxury of owning your own business. I take paperwork home in the evenings and have been known to lug children around and deposit them in farm offices - though we try to avoid it when possible!

The challenge is that work never goes away. We went camping in Devon recently and I was trying to manage a welfare issue from the tent while my husband was doing payroll at seven in the morning. Work finds its way into family life, but it did when we were senior managers in accountancy firms in London as well. We work incredibly hard, but the satisfaction of knowing that you are contributing to your own business is worth a lot too. ■

## Tales from the frontline

**Chantall Ridd-Jones, director at Harrowden Farms, gave up City life to return to Northamptonshire. She talks about moving from a Big Four firm to the family farm**

staff and needed someone to look after people management. I foolishly said: "Well I'll do that, it can't be that hard!"

Within 12 months my husband had also given up his job. He was a tax accountant at Deloitte but our business interests had just exploded. From being a 3,000 acre arable farm in Northamptonshire we acquired a 2,700-acre farm in Norfolk with a significant turf business and then another 1,200 acres in Lancashire in 2010. In March 2012 we bought the customer list and depot of a turf business in Scotland.

We went into business in Poland, running three farms covering some 6,000 acres there and have diversified into higher-margin, labour-intensive crops such as blueberries and

PHOTOGRAPHY: ANDY LOPO

### ★ "HOLY GRAIL" OF ACCOUNTING STANDARDS UNATTAINABLE

We must stop searching for the "Holy Grail" of international accounting standards, says Securities and Exchange Commission (SEC) commissioner Kara Stein.

The effort to find a globally accepted, single set of high-quality financial reporting standards, she thinks, is unrealistic in an age of "borderless business" as the practicalities are overwhelming.

"I think we should go back to first principles," she told the audience at the ICAEW forum, *Capital markets in an age of digital disruption*, in London last month. "Information provided to investors must be relevant, reliable, and timely, to be decision-useful. How that is achieved may vary across cultures and reflect deeply entrenched political and economic structures."

She focused on the role accountants

(CFR) that takes into account all aspects of financial management, not just spending.

In response to a Treasury call for views on the CSR, it suggests that with further austerity measures in the pipeline, a CFR would ensure financial stability is at the heart of long-term decision-making.

"At the moment, the CSR creates winners and losers between departments," it points out. "A CFR would instead focus on outcomes for current spending, bringing together inputs with outputs and making clear the trade-offs and choices. This is common practice in the private sector and could benefit the public sector too. A CFR would place as much emphasis on long-term balance sheet management as on shorter-term spending pressures."

ICAEW also urges government to protect HMRC funding to ensure the department is fit for the future, to develop stronger financial leadership at Whitehall, and to prioritise business support for new exporters.

### ★ GETTING DOWN TO BASICS

The annual party conference season is in full swing and as usual ICAEW is representing the membership at the major conferences (Liberal Democrats, Labour, Conservative and Scottish National Party).

This year, ICAEW is focusing on its BASE and BAS initiatives. ICAEW chartered accountants advise businesses and train young people up and down the country, and the BASE and BAS initiatives showcase this work. The ICAEW team will be asking MPs what their best piece of careers advice was.

ICAEW representatives will also be taking part in events, roundtables, exhibition stands, meetings with policymakers and speaking on public platforms. As well as talking about BASE and BAS, they will be having more specific policy-focused meetings with policymakers on tax, business policy and public finances.

ICAEW is also sponsoring business receptions at the Labour and Conservative conferences at which shadow business secretary Chuka Umunna and chancellor George Osborne will address their respective audiences. ■

# \$100m

(£64.1m) The profit that SEC commissioner Kara Stein says hackers made through stealing yet-to-be-made-public information about company earnings announcements

## EVENTS

### ■ 6, 7, 13, 14, 20, 21 OCTOBER INTEGRATED FINANCIAL PLANNING

These free half-day seminars, which are hosted by Prudential and supported by ICAEW's Financial Services Faculty, will explore the opportunities for financial advisers and accountants to work together to provide clients with an integrated source of advice. They also consider the impact of the latest legislation changes on different clients. Various venues

### ■ 14 OCTOBER PD LEAKE LECTURE

This annual lecture will be given by Ray Ball, professor of accounting at the University of Chicago Booth School of Business on *IFRS: 10 years later*. It will look at events over the decade since he gave his first PD Leake lecture, *IFRS: Pros and Cons for Investors*, in 2005. London

### ■ 22 OCTOBER FINANCE – CROWD, INVOICE, ISLAMIC

This seminar will consider three alternative forms of funding available outside regular banking: crowd funding; invoice and asset-based lending; and Islamic finance. Leicestershire

### ■ 5 NOVEMBER CELEBRATING EXCELLENCE

This lunch is being held to celebrate the graduation of a record number of newly-qualified ACAs in Malaysia. ICAEW president Andrew Ratcliffe will present more than 140 new members with their scrolls. Kuala Lumpur

## ICAEW news and events

### Kara Stein urges profession to grasp "borderless business" and ICAEW calls for CSR to be dropped while preparing for party conferences

can play in an age where the speed and intensity of technological change is rapidly transforming business models, eliminating traditional borders. The accounting profession, "with its history in reporting and providing assurance, is uniquely situated to respond to these changes".

She warned that the gaps in financial reporting following years of little change have made it "ripe for disruption". She also praised the UK for leading the way on accessibility and transparency of audits.

### ★ REPLACE CSR WITH CFR, SAYS ICAEW

ICAEW believes the Comprehensive Spending Review (CSR) is too limited in scope and should be changed to a Comprehensive Financial Review



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CO<sub>2</sub>  
from 114 g/km

MPG  
up to 64.2  
(combined)

## The big read

### In his new book, Lee Freeman Shor asks what makes a successful investment strategy

Over a period spanning more than seven years, from June 2006 to October 2013, I examined 1,866 investments, representing a total of 30,874 trades made by 45 of the world's top investors. I had the privilege of managing all of these great investors as part of my job as a fund manager at Old Mutual Global Investors.

What was unique about these investments was that each one of them represented the best moneymaking ideas of these investment titans during that seven-year period. I had given each of them between \$20m and \$150m to invest for my Best Ideas fund, which came with strict instructions that they could only invest in the 10 stocks they felt represented their very best ideas to make money.

The rationale for doing this was the relatively simple belief that the greatest possible returns could be only achieved by hiring the best investors in the world and getting them to invest in their best ideas.

Given all this, I was sure that I would make a lot of money. It might surprise you, then, to be told that most of their investments actually lost money. It shocked me. I was shocked to discover, for example, that only 49% of the very best investment ideas made money. But even more shocking to me was the finding that some of these legendary investors were only successful 30% of the time.

I had employed some of the greatest investment minds on the planet and asked them to invest in only their best and highest-conviction moneymaking ideas. Yet the chances of them making money were worse than tossing a coin.

But what really fascinated me was the fact that, despite some of them only making money on one out of every three investments, overall almost all of them did not lose money. In fact, they still made a lot of it.

This begs the question of how they are making lots of money, if their ideas are wrong most of the time. How are most of these investment legends able to be wrong more often than they are right and still make incredible profits?

What I discovered is that successful stockmarket investing is not about being right as such, far from it. Success in investing is down to how great ideas are executed. If successful property investing is all about "location, location, location", then success in equity investing is all about "execution, execution, execution".

In some ways I am not the first person to make this discovery. But what is new in my findings is that I have now put together detailed evidence of how investment titans go about their money management. And I now know what their secrets are and if you read my new book, you will too.



The Art of Execution: How the world's best investors get it wrong and still make millions is out now in print and ebook format. Available from Harriman House [harriman-house.com](http://harriman-house.com)

As Homer Simpson once famously found out, getting into a club called the "No-Homer Club" is extremely challenging. Many would argue that the plc club operates on the same basis. When you are outside, it can feel absolutely impossible to gain membership to this exclusive establishment. It seems very unfair. You could definitely do your boss's job for instance; your intellect, commercial acumen and gravitas are strong and you get to second or third on every plc FD role you apply for. So how can you get in?

Eventually everyone in the club will retire as irreplaceable FDs. Clearly everyone in the club currently was not in the club at some point in their career and managed the transition. So it's possible.

The responsibility that goes with the external exposure and the share price management alone is a significant step up. The risk is such that chairs worry that they prefer experience.

You need to do everything you can to minimise the experience gap between you and a plc FD. Or to mitigate any perceived risk from promoting you rather than hiring someone sideways from one role to the other.

## Career clinic

### Mark Freebairn addresses the tricky question of how to gain membership to the plc FD club before you have the experience

It's no secret that the life of a plc executive director has continued to fill up with more and more responsibilities. And as a result, a wise plc executive has tried to outsource as much of their day job to others within the business as they can.

A lot of this will go to the group FC - a role that is extremely helpful in allowing you to demonstrate that as an experienced understudy.

There are many finance leaders who have made an early move into a smaller plc environment and have then built their career up from there. Clearly this is a risk - the other issue of club membership is there is a degree of snobbery about market cap. Chairs want the "biggest" CFO they can hire. As a result, your first plc FD role is really the start of the second phase of your career.

In short, everyone knows it's hard to get into the club. Logic dictates that there must be a way to break through. Internally is often the best route. Being a strong internal successor also gives you the best shot externally. Prepare to come second a lot of times. You will need a degree of luck. Finally, debate the size of business you want to be CFO of, and how early to make that move.



# CUSTOMER HELP IS KEY TO CLOSING THE SAVINGS GAP

We know the UK is not saving enough – a problem felt most acutely around retirement. But it's not good enough simply to blame individuals for fatalism or a culture of instant gratification. Regulation, government policy and the structure of the savings industry are all critical to closing the gap

It's not hard to find terrifying figures on the scale of the savings gap in the UK. Scottish Widows estimates that there are 6.2 million workers failing to save anything towards their retirement; a total of 20% of those who should be saving. The savings ratio is just 4.9%, says the ONS – the lowest since 2008 and about a third of the level 20 years ago.

The savings gap might be a well-established problem – but it's getting worse. With growing life expectancy, rising care costs and clear government aspirations to shift the responsibility for financial security onto the individual, not only is the gap still big, but its potential impact on the UK is growing.

## THE KNOWLEDGE WE NEED

At the end of 2012, the FSA's Retail Distribution Review (RDR) stopped advisers being paid commissions by providers. The cost of advice is now transparent to the consumer in the form of upfront fees. But while RDR has improved the quality of advice available to the wealthy, it has effectively removed a huge constituency – with modest savings, those most in need of advice – from any contact with the savings industry.

Worse, a significant proportion of the population are in denial about the need to save – especially for retirement, where they assume state pension provision will step in. It's becoming clear that's unlikely to be the case.

We need the message about how much people need to save, why and how, to be loud and clear – delivered early and constantly repeated.

For that education to be effective, we also need more stability in the system. Frequent changes to the rules confuse consumers and lead to risk-aversion by providers. The latest

consultation on Pensions Tax Relief, for example, might up-end assumptions made by both the savings industry and savers. What then?

## AN INDUSTRY RESPONSE?

The industry is not blameless. Established players are struggling with the cultural, technological and business model transformation necessary to focus more clearly on the customer, rather than a product or a channel.

Meanwhile challenger brands are bringing low-cost, low-fee models that emphasise consumer choice, plentiful information and interactivity. But even they face challenges around advice and guidance.

Regulation has to adapt to this new environment. It can't be long before so-called "robo-adviser" systems, currently emerging in US markets, become common in the UK – if regulations allow it. Equally, retail banks that already handle transactions for the mass market have a huge opportunity to build out long-term savings offerings... but only if they, and the regulators, can get the offering just right. Right now, it's clear that conduct risk dominates their thinking.

Investment in systems and organisational change can reshape the industry for this new market. Regulatory change can open the door. The goal is a savings landscape that's easy for customers to understand – and helps them close the savings gap.

**Find out more about critical developments in the savings, wealth and investment management industry at [www.kpmg.com/savinggenerations](http://www.kpmg.com/savinggenerations)**





# Michael Izza



## “<IR> has been a catalyst in improving corporate reporting internationally”

**B**ack in August 2010 HRH the Prince of Wales, together with the International Federation of Accountants and the Global Reporting Initiative, launched the International Integrated Reporting Council (IIRC). As you will be aware, the project was intended to establish integrated reporting (<IR>) - covering the non-financial capital aspects of a business as well as the usual financials - within mainstream business practice with the aim of aligning capital allocation and corporate behaviour to the wider goals of financial stability and sustainable development through the integrated reporting cycle.

Since its inception, the project has developed a momentum of its own. <IR> has been a catalyst in improving corporate reporting internationally. It has been adopted by hundreds of the world's largest organisations - Pepsico, Microsoft, J Sainsbury, Fujitsu, Mitsubishi, PwC (Europe) and Tata Steel to name but a few. It's also been taken up by the World Bank and there are plans afoot to establish an <IR> global centre of excellence. The B20, a coalition of business leaders and associations, is endorsing <IR> in two of its workstreams and these recommendations will make their way to G20 leaders who meet in Turkey in November. ICAEW is holding a meeting later this month with G20 representatives, presided over by Turkish ambassador Abdurrahman Bilgiç, to ensure that the flame isn't lost from one G20 presidency to another.

Endorsement from the G20 would be a real coup. As Bank of England governor Mark Carney has said, <IR>'s true value will only be realised when governments, businesses and investors view risk in an interconnected way. Another major breakthrough would be if the US could be persuaded to discover the benefits of <IR>.

There is hope, thanks to the innovative young tech companies from Silicon Valley. They are evolving business models that are very different from standard corporate America and when they start to list on the US stock exchanges, they will require new ways of communicating their value creation in which intellectual and human capital play such an important role.

Hillary Clinton has spoken about ending the “tyranny” of short termism and quarterly reporting - a first for the campaign trail - while the US-based Sustainability Accounting Standards Board has come out with sustainability reporting standards that it intends will find their way into the standard regulatory filings.

Realistically, international adoption will take time. The question now is how our profession can support this evolution and help overcome the practical hurdles to mainstream adoption. The IIRC regularly holds events around the world. If you are interested in participating, email [jonathan.labrey@theiirc.org](mailto:jonathan.labrey@theiirc.org).

Michael Izza  
ICAEW chief executive

# Your feedback



## FAILURE AT KIDS COMPANY

I have years of experience advising on good governance, chairing audit committees and as a trustee of several charities very large and small. I was very surprised by the content and tone of your editorial in the last issue regarding Kids Company (Leader, September).

Instead of addressing issues around the failure or otherwise of the Big Society, the principle point here is the abject failure of all of those required to maintain the financial robustness of the organisation. This includes management and auditors, but primarily the trustees. If they were not up to their task, they should have appointed others who were.

It is reported that many, if not all, of the trustees had been in post for many years and yet still had a lacuna in this area of their duties.

Knowingly trading while insolvent is against the law and not just because it leaves staff and third party creditors exposed to financial loss.

Peter Henriksen

## THAT'S ENOUGH EGGSAMPLES

I quite like the magazine, which I read as a retiree. But I don't think you should take 1% of the pages available to tell people how to cook eggs or indeed how to suck them. I am sure a well-known search engine can provide that information. Yours eggotistically...

Peter B Lawson FCA

## THE 2015 RICH LIST

I read with interest the 2015 listing in the latest edition of *economia* magazine (September). I thought you might be interested to know that my boss - Aziz Tayub - the 100% owner of Crown Crest Group Limited, which owns national discount retailer Poundstretcher, is a chartered accountant. I feel he should have featured on your list. Other Rich Lists value his wealth at £200m+.

Hemant Patel BSc ACA

## TOP 5 MOST READ STORIES ONLINE

1

Duff & Phelps MD arrested in Rangers fraud case

2

Many Ages of the Accountant: thirties

3

Accountancy Rich: List 10-1

4

Deloitte acquires business psychologists

5

PwC receives record applications

twitter.com/economiamag • facebook.com/economiamag • linkedin group • economiamagazine

<p><b>Online comments on the debate <i>Is the UK turning into a tax haven?</i></b>          Considering that about half the total annual output is taken in taxes it seems rather silly to describe us as a tax haven. The real lesson should be to understand the Laffer curve and stop using tax as a series of penalties against those currently unfashionable among the political class.  <b>Epping Blogger</b></p> <p>Margaret Hodge! Who is she to preach?  <b>Julian Pilcher</b></p> <p><b>Online comment on Nouriel Roubini's article <i>Where will all the workers go?</i></b>          I would suppose rather than humanity responding to technology, technology adapts to the needs of humanity around it. In a tangential manner, I would suggest that manual labour (whether in industry or services) will become more valuable when technology takes up the lower-skilled work. There will be a transition phase, but that has been happening since agricultural times. When people have to live, they will find a way to make themselves useful, independently of any government or benefactor. Nouriel need not be too worried.  <b>Whatever... tech</b></p> <p>Currently global base interest rates are at a record low and major currencies fearlessly print money by quantitative easing. Governments are able to run up large deficits. This suggests that the intellectual property value of industry today is an overbearingly large proportion of profit and cash flow. As a result capital is competing very hard for a home. Therefore interest rates will naturally turn significantly negative or printing money will become part of the normal way to run an economy, with the wealthy apparently getting wealthier. In fact the disproportion is becoming so great as to become a meaningless disjoint in the economy.</p>	<p>The clear message here is that we have a social issue to resolve and economics will only help us understand the likely outcome of our social studies. Welcome to the new world that is post-crash economics. Oh, and remember, in 1860, perhaps 60% of world GDP was in the UK. Look at us now.  <b>Charles McDowall</b></p> <p>Thank you for your article. My view is that economics and politics are very flexible, reflecting what the public wants. For example, if child labour is undesirable it becomes illegal and dies out. The other side of the coin - what's desirable - is how much we're prepared to look after our old people. If we're prepared to pay for it, the old will need a lot of looking after and absorb a huge number of people. Will it ameliorate the job losses of automation? I hope it'll help.  <b>Nigel Root</b></p> <p>There wasn't much focus on professional jobs that will be eradicated. All the analysis, variance reporting, revenue drivers and so on that can be dreamed up by management will be immediately available to them - dropped out into a well-formatted report with just a couple of clicks, drags and drops by themselves.          They can then look at any red flags by quickly drilling down to the transaction level. Real time information at high level and transaction/journal level with minimum fuss. The finance manager or financial accountant will hardly be needed, at least in the current guise. So we can kiss goodbye to the clumsy, awfully formatted Excel packs presented to the board.  <b>Anonymous</b></p> <p>Perhaps improvements in personal service would help. Currently, the levels delivered from many larger companies at the customer interface are at best poor, not to say abysmal.  <b>Stephen Dee</b></p>	<p><b>Online comment on <i>economia's</i> 2015 Rich List</b>          Quite embarrassing that the richest is associated with the gambling industry. What a great country we live in where the richest thrive on the weaknesses of others.  <b>Anonymous</b></p> <p>The <i>economia</i> website is regularly updated with news and technical stories. To join the debate, visit <a href="http://economia.icaew.com">economia.icaew.com</a></p> <p>Either email us at <a href="mailto:economia@icaew.com">economia@icaew.com</a>, comment online, or write to us at <i>economia</i>, Progressive Customer Publishing, 71-73 Carter Lane, London EC4V 5EQ.</p> <p>Letters and comments may be edited for clarity and space.</p> <p>Views expressed by letter writers are not necessarily shared by ICAEW or <i>economia</i></p>



# Bronwen Maddox



## “Liberating Iran’s oil industry will keep oil prices low, extending without apparent limit the era of cheap oil”

Looking at the crowded streets of Tehran, thick with traffic jams, neon signs advertising fake American brands (“Mash Donalds” for McDonalds, “Sattarbuksh” for Starbucks), you see – as do the dozens of business executives now stepping off the plane – both dereliction and opportunity. Iran’s capital looks both like a place that was once grand, and one that has been shut off from the US and Europe for years.

In negotiations to strike a deal over Iran’s nuclear programme, US and European Union diplomats told the Iranians “you won’t be able to give out the visas fast enough”. That was an overstatement; sanctions will be lifted only slowly, in layers, depending on Iran’s compliance, and companies are wary of falling foul of US penalties on trading with Iran which may remain for some time.

But in one respect the deal is likely to have a rapid effect: in liberating Iran’s oil industry, and so keeping oil prices low, extending without apparent limit the era of cheap oil which the world now enjoys. The global economic benefits of that bonus have been overlooked.

### COVERT PROGRAMME

In the 1970s, Iran produced about 6 million barrels a day. After the 1979 revolution, that slumped to 1.5 to 2.5 million before rising in the 1990s to 3 to 4 million. US sanctions began in that year, with the seizure of the US embassy in Tehran, and built up in response to human rights violations. But the real impact on Iran came after 2002 with the revelation by dissidents of its covert nuclear programme, which triggered new US sanctions, and additional ones from the United Nations and the EU, co-ordinated to shut Iran’s trade out of the world’s financial markets. Before this summer’s deal, Iran’s crude oil production was running at only about 3 million barrels a day (and it exporting only a third, using about 2 million barrels a day for its own needs).

It plans to double its exports almost immediately, and aims to reach exports of 4 million barrels a day by 2020, meaning a total production of about 6 million barrels. Many are sceptical that it can do this quickly. Drilling equipment is old, fields have

not been developed as they would have been with full access to investment, and Chinese companies have made only some inroads into this. Yet the technology has been transformed since US sanctions first began to bite, and a rapid expansion of output seems plausible – particularly given the numbers of energy executives jostling to get onto Tehran-bound planes with their country’s ministers.

The prospect, then, is for a sharp increase of Iranian sales into world markets. Some of that has been anticipated; prices fell from more than \$100 a barrel to \$50 a year ago, and fell further on the announcement of the Iran deal. Compared to global consumption of 93 million barrels a day, the Iranian contribution is small, but significant.

Some industry analysts doubt that the Iranian injection will hold prices at current levels, and tend to forecast a shift upwards to more than \$60 per barrel. Others argue that this is too pessimistic about reserves, and misunderstands Saudi Arabia’s intentions. They argue that the contribution of US fracking – one of the factors that drove down the price last year – and Saudi Arabia’s determination to keep pumping to keep up its market share, are not going to diminish. Certainly, Saudi rivalry with Iran, one of its motivations, is only escalating right now.

### GROWTH STIMULUS

The economic benefit of a persistently low oil price in the region of \$50 a barrel is considerable. Anatole Kaletsky, chairman of the Institute for New Economic Thinking, estimates that a permanent reduction of about \$50 a barrel compared to what prices would otherwise be redistributes \$1.7trn from oil producers to consumers every year. Because consumers spend more of their income than do oil producers, this will stimulate global growth, he says.

There’s been enormous focus on the political consequences of the Iran deal – whether it will become the region’s great power as it wants, whether it will stabilise a region in turmoil, and whether it could even become an ally of the West as it once was. There has been less on the economic benefit. But in extending the era of cheap oil, that could be even greater.

Bronwen Maddox is  
editor of *Prospect*  
magazine

# George Magnus



## “China is going through its most important economic transition since it was opened up in the 1980s”

This month, China's President Xi Jinping is scheduled to make a state visit to the UK, most likely after he has been to the US. It will be President Xi's first visit to the UK, and the first state visit since his predecessor Hu Jintao came 10 years ago. Although China's economic significance to the UK as a trade, investment and finance partner is growing, the main interest we now have in China is to ascertain what's going on there, and what the implications are for the global economy and markets and, ultimately, the UK and European economy.

The chill wind that change in China has already brought to commodity producers may soon spread. China's significance to the UK spans modest but growing trade, and a lively two-way flow of direct investment in which China has recently prioritised the UK, for example in the retail and telecoms sectors, energy and infrastructure. Chinese buying of London property has also been an important addition. The UK government has endeared China by setting out a stall for the City to become a premier centre for offshore trading of renminbi instruments.

### STRUCTURAL SLOWDOWN

But all of this has been hijacked by news over the summer that focused attention on the structural slowdown in the Chinese economy, and political tensions that may be exacerbating it. Changing perceptions about China were certainly instrumental in shaking world financial markets in August, including a 13.5% fall in the FTSE 100 index to about 6200 by early last month. A poorly communicated mini-devaluation of the yuan was the first event. Ostensibly designed to further the reform of China's exchange rate system, it was quickly followed by market intervention to reverse part of the decline. The confusion succeeded only in confirming that the initiative was incoherent, policymakers were not focused, and that further depreciation lies ahead.

The second event was a bungled attempt to prop up a stock market that had fallen 30% since early July. After spending over \$200bn to little effect, the authorities ended up convincing global investors that they weren't especially enthusiastic about the introduction of market mechanisms to China,

previously deemed central to the economic reform agenda. In the end, the equity market continued to fall and the government ordered the arrest of financial journalists and traders.

A spate of industrial accidents also occurred, including the Tianjin chemical storage explosion that claimed about 160 lives and for which a dozen local government and port officials were arrested for negligence and breach of regulations. However, this was just the latest in a long list of accidents and events in which the safety of citizens and the environment have been put at great risk.

### SYSTEMIC PROBLEM

For many Chinese people, these speak to a systemic problem of official corruption and injustice.

President Xi has run an extensive anti-corruption campaign to try and address this. In the process of using extra-legal measures to bolster Party discipline and “purity”, however, growth has suffered more than was expected, and initiative and enterprise have been stifled. The President has also effectively usurped the functions of government by substituting Party agencies and committees for ministries and thereby undermined the authority and effectiveness of officials whose task is to implement reforms.

These are badly needed to stabilise a decline in growth that has been going on since 2011, and to which successive and more frequent stimulus programmes have become steadily less effective. China is going through its most important economic transition since it was opened up in the 1980s, but to a destination that is not well-defined and on a path to reform to which the Party may not really be fully committed. Its leaders' biggest fear is the loss of control to which the Soviet Communist Party succumbed following the reform (perestroika) and openness (glasnost) of the mid-1980s.

In the struggle between the needs of the Party and reform and markets, we should expect China to emphasise the former. Growth will continue to slow down, and probably more sharply than it has so far. The period between now and the Party Congress in 2017 is likely to be challenging, and this is what markets have smelt this summer. ■

George Magnus is an independent economist and former senior economic adviser at UBS



# MAKING BOOKKEEPING PAY

## THE BENEFITS OF BOOKKEEPING IN THE CLOUD

There's a certain kind of bookkeeping customer that's commonly referred to as a 'shoebox client'. If you've spent any time working with bookkeeping clients then you probably know the kind of business we're talking about.

They're the client that arrives with a cardboard box full of every paper receipt, invoice and bill from the past six months and expects you, the accountant, to sort it out. And all for a very minimal fee.

In this shortened guide in association with Receipt Bank, we'll explain how the cloud can turn these unprofitable, resource-intensive clients into valued, profitable customers. And the starting point in this transition comes with a move to cloud-based bookkeeping and accounting.

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- Using cloud software makes your whole bookkeeping process quicker, simpler and more efficient.

## IMPROVING PROCESSES AND FREEING UP TIMES

Streamlining and speeding up your bookkeeping processes is a key area where an online solution can add value. In a nutshell, cloud bookkeeping saves you and your clients time. Using a mobile, online solution speeds up the data entry process and gives you the numbers you need in a much more efficient way. Instead of spending hours on tedious, manual data entry you can pull the numbers you need straight into your systems.

Bookkeeping in the cloud:

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- ✓ Organises your client's data and pulls it into the accounting software.
- ✓ Gives you a completely up-to-date view of the client's numbers.
- ✓ Frees up time for you and the client.
- ✓ Gives you a better financial overview of their business.
- ✓ Helps you manage your client's financial future.

Having the data and information you need in one place makes the whole process of completing the client's books more efficient. Expenses, invoices, bills and receipts are all easily found and linked back to the main ledger.

## HOW CAN RECEIPT BANK AND ADVANCETRACK HELP?

Receipt Bank extract the key information from bills, receipts and invoices and pull that data directly into your accounting software. That means the data is exactly where you need it.

AdvanceTrack are able to deliver bookkeeping in the cloud using the technology in a secure, cost-effective manner. Build your cloud accounting business powered by technology and manned by AdvanceTrack enabling your teams to move quicker and faster. Deliver higher levels of client service by doing more of what your clients expect.

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# Do you have a Cloud Strategy?

*It is interesting to observe the changes in the profession as a result of technology. As a technologically advanced accountancy outsourcer, we understand the changes and are driving the biggest changes in the profession.*

What is surprising is that there are a significant proportion of firms who have yet to develop an integrated approach to cloud accounting and bookkeeping.

Many accounting firms have steered away from bookkeeping in the past due to the relatively low value and the large volume of paperwork. Consider how much work you passed to local bookkeepers in the past? Consider how inconsistent the quality of these bookkeepers has been over that time.

So what are your options today?

- 1 No change (The Do nothing strategy)
- 2 Half-baked cloud strategy (Partial cloud strategy)
- 3 Full cloud strategy

Most firms are still in the first 2 categories. Firms need to be in the last category if they want a long-term business that will grow and increase profits and client satisfaction.

A truly professional outsourcer like

AdvanceTrack can deliver cost-effective and efficient delivery of bookkeeping and other compliance services.

This strategy can also help deliver a cloud strategy faster than in-house staff.

Outsourcing should help you focus on what you do best – deliver better service and advice to your clients.

AdvanceTrack is run by UK based ICAEW Chartered Accountants and are certified by BSI in the UK for ISO9001 (Quality Management) and ISO27001:2013 (Information Security Management) and operating since 2003.

Call us today to arrange a meeting to help you develop and deliver your cloud strategy on 024 7601 6308.

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AdvanceTrack Outsourcing  
@vipulsheth

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- Other plug-ins focus on adding functionality around invoicing, payroll, point of sale and reporting – making your job easier and adding value for the client.
- Using cloud software makes your whole bookkeeping process quicker, simpler and more efficient.

## IMPROVING PROCESSES AND FREEING UP TIMES

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Bookkeeping in the cloud:

- ✓ Speeds up your data-entry process.
- ✓ Organises your client's data and pulls it into the accounting software.
- ✓ Gives you a completely up-to-date view of the client's numbers.
- ✓ Frees up time for you and the client.
- ✓ Gives you a better financial overview of their business.
- ✓ Helps you manage your client's financial future.

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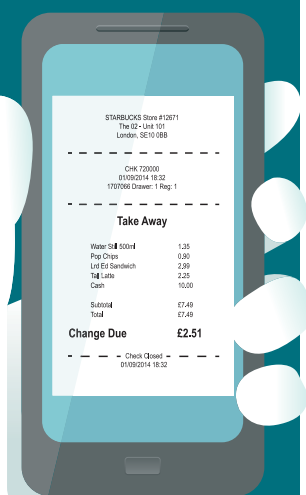
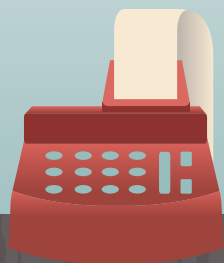
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- 2 Half-baked cloud strategy (Partial cloud strategy)
- 3 Full cloud strategy

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# What ales him

In the last seven years, **Duncan Sambrook** has come a very long way in pursuit of the perfect pint. He tells David Adams what took him from Deloitte's capital markets business to running his own brewery

Photography: Nicky Johnston

**T**he old phrase may hold some truth - surely it is quite easy to organise a piss-up in a brewery - but the vagaries of the food and drink industries have been the kiss of death to many promising businesses. British beer is in the middle of a golden age of creativity, with new breweries opening across the country and fresh beers appearing every month. But the hard facts of business, particularly in relation to pubs and retail, mean many of them are destined either to be short-lived or to remain microbreweries. To create a beer house capable of growing to a significant scale is very, very difficult: you need great products, technical expertise, exceptional business acumen - and plenty of luck.

In 2008, when Duncan Sambrook resigned from his job at Deloitte to launch a brewery, it looked for a while as if his business might fail almost before it began, as the financial crisis struck the UK economy. Yet, seven years later, Sambrook's Brewery is a







## CAREER IN A NUTSHELL

### *2012-present*

Director, South East Bottling (joint venture)

### *2008-present*

Managing director, Sambrook's Brewery

### *2007-2008*

Senior manager, capital markets, Deloitte

### *2005-2007*

Manager, AIM transaction services, Deloitte

### *2004-2005*

Executive, Close Brothers Corporate Finance

### *2001-2004*

Assistant manager, Deloitte



success: profitable, with top line growth at 25% per year, and on the verge of outgrowing its crowded headquarters in Wandsworth, south London. So what drove Sambrook to begin his adventure?

He grew up in Wiltshire and is a keen rugby player, which possibly makes his enthusiasm for beer slightly less surprising. "I've always had an interest in beer," he says, "but I've also always had an interest in setting up my own business."

After completing a degree in natural sciences and a Masters in chemistry at Cambridge, he joined Deloitte and studied for the ACA: "I looked at accountancy as a solid occupation that might be helpful if I did start my own business." He ended up specialising in capital markets, working with companies preparing to float on the London Stock Exchange. "I saw guys in their 60s who were still passionate about their businesses, and I thought I would love to be in that position."

In 2006 he and a group of friends attended the Great British Beer Festival and noticed that the only London brewery represented was Fullers. The idea for creating a new brewery in London was born.

Sambrook spent the next two years studying brewing and doing unpaid work experience in his spare time, while writing a business plan. He planned to scrape together £100,000 to start the business, using his own savings plus investments from friends and acquaintances. Then a mutual friend introduced him to David Welsh, the retired former owner of the Ringwood Brewery in Hampshire. They found they had a lot in common: for one thing, Welsh had given up a career in the City to become a brewer.

"He really liked my idea and I think he was also a bit bored with retirement," recalls Sambrook. "He

said he wanted to get involved - but only if the brewery was going to be five times bigger than I was planning. I turned 30, handed in my notice and proposed to my girlfriend, all in the same month." His fiancée, Tracy, said he should give the brewery idea a try - as long as he didn't get a beer belly. Sambrook and Welsh rewrote the business plan and found a building near Clapham Junction railway station.

Then the economy fell apart. Three significant shareholders pulled out just after Sambrook had quit Deloitte and signed the lease for the building. He had to find new investors. "That was traumatic," he says. He pays tribute to his "very supportive" shareholders, of whom there are about 25. He highlights those who were willing to invest the few thousand pounds that was all they could spare; and three university friends who have supported him from day one.

Even then, with funding in place, they discovered there was only a residential gas supply to the site. "The gas company said it would take nine months to fit the right pipe. That would have been curtains - we would have run out of money. As it was, a local supplier put in a temporary supply. It was expensive, but it allowed us to start production."

Helpfully, it seemed that one trend created by the recession, certainly in and around London, was that many people stopped going out to restaurants and went to the pub instead - 2009 was "stellar", says Sambrook: "We grew far beyond our expectations."

He and Welsh had a strategy of launching with a single product: a classic English "session beer" that would help to establish a brand. They wanted to establish a beer that customers would trust and want to drink again, knowing it would offer a consistent, reliable flavour. The beer in question was Sambrook's "ideal beer: one I can sit and drink all afternoon while watching the rugby and still walk home afterwards".

Named Wandle, after the tributary of the Thames that flows through Wandsworth, it is a 4.2% alcohol best bitter (3.8% on draught), brewed with hops and malt from Hampshire and Wiltshire.

This type of beer is deceptively simple yet difficult to get right, says Sambrook. "The lower the alcohol content the more difficult it is to brew something good. But British brewers are famous for brewing low-strength beer with a higher amount of flavour." Traditionally, English best bitters are brown and quite bitter. "With Wandle we've lightened the colour and it's slightly sweeter."

He remembers the first time he saw it on draught in a pub, in the Westbridge, now the Westbridge Draft House, in Battersea. "I sat down next to it, phoned up a few friends and they joined me for a few drinks. That felt great." Other sweet moments have included Wandle winning World's Best Pale Ale under 5.0% at the World Beer Awards in 2012; and the Bronze medal at the 2014 Great British Beer Festival.

Wandle was the brewery's only product for two years before the more full-bodied, darker Junction Ale was launched. Powerhouse Porter followed a year later; and a pale ale a year after that. The brewery also produces seasonal beers: at the time of writing they were brewing Lavender Hill, a honey beer, for the summer. Another beer will be released this autumn. "We'll continue to be adventurous, because we don't have to keep brewing the beer forever," says Sambrook. "Consumers are always looking for something new."

The business has grown every year. "The first, five-year business plan was to get to brewing five times a week and we did that in three years," says Sambrook. "That was the start-up phase. Then we went through this period when you find you have to solve many more problems: staffing issues, the finances get more complicated - you spend a lot of time doing all of these other things when really you want to be brewing and selling beer."

The brewery hired its first employee on day one: "a big Kiwi I used to play rugby with", to help set up the site and make it safe. By the time the company was brewing twice a week it had six staff. Now it brews 11 times a week and has 17 staff, including brewers with heavyweight academic qualifications in subjects such as biochemistry and staff recruited through a local apprenticeship scheme. For Sambrook, one of the best parts of this job has been watching some of these employees grow in confidence as they acquire new skills. "We invest a lot in our staff, but we get an awful lot back from them," he says.

Having survived its difficult early days, the company has reached a size where it is considering moving to a new site; and has to create a management structure. "We need a head of operations, head of finance, head of transport and so on - at the moment that's all still me," says Sambrook. "We're now not just managing growth, we're managing competition. We have to invest in our back office, in infrastructure."

He is also now helping to run two companies, having set up a joint venture with two other breweries, Ramsgate and Westerham, in 2012. South East Bottling, a contract bottling operation based in Ramsgate, aims to become bottler of choice for the craft brewing industry. It currently employs seven people.

Back in London, recruitment for staff members such as drivers is a challenge because so many other businesses in London are also hiring; and there is also a skills shortage in the brewing industry.

"I can brew the beers we make, but I'm definitely not a brewer," says Sambrook. "The real skill is in new product development: there's a lot of individual flair needed. You can reverse engineer a beer to about 95%, but it's that last 5% that makes the difference between the beer being OK and superb." Everyone recruited to train as a brewer has to spend two years

## **"British brewers are famous for brewing low-strength beer with a high amount of flavour"**

studying brewing and must pass their General Certificate of Brewing before they are allowed to start using the equipment on site.

Sambrook is now plotting the next stage of the company's development, which might include developing export markets (it is already selling beer in Norway, Sweden, Finland, Canada, Singapore and Hong Kong); and possibly opening a pub. The brewery is also actively looking for another site, either to run alongside the present facilities or to replace them.

As Sambrook's has gone from strength to strength, so has brewing in London in general. When the company was launched in 2008 it was the first new brewery in London for a decade. In 2010 three more new breweries were founded; in 2011 eight more appeared; and today there are 78 breweries in the city. Many of the people who run these breweries now meet regularly to spend an evening discussing the business issues they face and, well, drinking beer. Sambrook says he has found this to be an extremely



friendly and sociable industry and he is a great admirer of some of his fellow brewers: sometimes for their business achievements, but more often for the quality of their beer.

Aside from his own products, what other beers does he enjoy? He is a fan of many British brewers, he says, but also enjoys US craft brews and Belgian beer. He loves the fact that in a decent bar in Belgium, even if the list of beers is very long, staff know every beer and into which glass it should be poured, with due ceremony. "If there's one thing I'd like to see more of in this country it's that reverence towards beer," he says. "Beer is something that deserves to be appreciated." ■

Duncan Sambrook is speaking at Tomorrow's Leaders - ICAEW Careers Forum on 28 October

Close contacts, working the network and knowing his industry inside out enabled **Andrew Dent** to fund **Family Traveller** without the need for a bank loan. Xenia Taliotis charts his route to finance

**A**ndrew Dent, founder and CEO of independent media company Ardent Media is frazzled but happy. Frazzled because the past six months have been a constant round of pitches to potential investors to raise finance for his business; and happy because those efforts have now been rewarded with a hard-won £750,000 investment that will help him take his multi-platform *Family Traveller* magazine and website through to the next stage of their development.

In essence, *Family Traveller* and its accompanying website, familytraveller.com, are like a travel Wiki for families, providing parents with all the inspiration and information they need to plan the perfect holiday, whether that's walking in Wales or sailing in the Seychelles.

Dent, who has a solid background in media and marketing, including five years as head of promotions at News International and another five as advertising and marketing manager for Harrods, saw a gap in the market for a one-stop resource six years ago, although he only turned his plans into a reality in 2013.

"It was the right time," he says, "not just for the business but for me, too. I'd done my research, I'd done my groundwork, I knew many people in media, advertising and marketing, I'd raised the seed funds, I'd done focus groups and I was absolutely ready to go."

He also knew that if he didn't leap then, someone else would with something similar.



"I felt it wouldn't be long before someone else looked at the highly lucrative family travel market, worth in excess of £90bn per annum, and thought 'hang on a minute, who's talking to all these parents specifically and exclusively about their travel plans?'"

"There wasn't one professional travel magazine or website that was dedicated to families. Not one that could help mums - and it is mainly mums - find things to keep the kids occupied during the holidays, or organise a safari,

or let them know the best deals across all budgets, or the best restaurants, or suggest where they could go if they were also travelling with the grandparents. That's the niche we set out to fill - *Family Traveller* sets out to answer these questions while also inspiring, informing and advising."

Dent's initial set-up and running costs were funded by a £300,000 investment from friends and family, which enabled him to launch the website and bi-monthly magazine. His original



# £90bn

WORTH OF THE FAMILY  
TRAVEL MARKET PER YEAR



## 4 STEPS... to finance

- 1 YOU HAVE TO** know your product, what you stand for and who your market is.
- 2 KNOW YOUR NUMBERS** and be over-documented, with all the legals in place. If you've ever seen an episode of *Dragons' Den*, you'll have seen how many pitches are lost because of sloppy preparation.
- 3 MAKE SURE YOUR PRESENTATION** is professional. Your VCs are time-pressured people so don't lose them at first base with poor PowerPoint slides.
- 4 TRY TO GET IN FRONT OF PEOPLE** who can relate to your product. *Family Traveller* was a (relatively) easy pitch because the people Dent spoke to were his target market. "Most people in the investment community are in their 30s or 40s with young children and every year they have to work out where to go on their holidays," he says. "They instantly bought in to *Family Traveller* so I didn't have to work hard to justify its existence in the marketplace."

business plan anticipated he'd be operationally profitable within 18 months; by October 2014 he was primed to cover the monthly burn rate and was considering growth capital. "We needed a new injection of cash to help us increase awareness of our product and to claim our space in the market more firmly," he says. "I felt we might miss our opportunity if we didn't access more funds to scale up."

And so ensued the months of relentless meetings with investors. Dent is an astute

and experienced businessman who knows what it takes to secure finance, and yet even he was left a little shell-shocked by how enervating the process was. "It was immensely draining and time-consuming. I was exhausted because I was working 16 hours a day on my business plans and presentations, as well as trying to run the company day to day. Inevitably our business performance took a hit as I wasn't there as much as I would have liked."

He says advertising revenues on the magazine fell while he was out of the office: "I use the saying 'the wolf is nothing without the pack, and the pack is nothing without the wolf'. My team is terrific but even so productivity dropped while I was away. I was going to all these meetings with venture capitalists and showing them one set of figures when all the while the business was actually suffering in my absence, which could potentially have made my projections look inaccurate."

Dent's quest for further investment started with calls to the VCs in his network and he stresses the importance of building strong contacts before start-up. "These guys are overwhelmed with propositions, so finding a way of reaching them is crucial. I'm lucky, I've got excellent connections and I know a lot of high-net-worth people who've introduced me to other potential investors. The fact is, if you can't get in front of one of these people your idea won't get financed. My advice to anyone starting out

is to network, network, network. And to look for backers who can provide great contacts as well as funds. The money is crucial, of course, but so are their address books."

He uses his own experience to illustrate the value of a strong chain of contacts. Having met first with Scottish venture capitalists Panoramic Growth Equity and failed to meet their criteria on the grounds that they invest in slightly later stage businesses, he was nonetheless introduced to the Cass Entrepreneurship Fund by one of Panoramic's investment directors, who also sat on the Cass board. Cass came in with a £300,000 cornerstone investment in June 2015.

And once Cass had committed, securing the remaining investment proved easier: £275,000 came from high-net-worth contacts Dent met through existing shareholders, and another £175,000 from the government-backed Angel CoFund, which supports promising UK businesses while simultaneously helping to develop the business angel investment market.

Dent appreciates the government support he's received - which also includes an R&D tax credit on relevant expenditures - but says more needs to be done to publicise such initiatives. "I could so easily have missed out on both the Angel CoFund and the R&D tax credit because it's hard, with everything else going on, to find out about the help that's available. Much more needs to be done to get

## Investment and funding

£500,000

EARLY 2015 ANNUAL REVENUE -  
NOW PROJECTED TO BE IN EXCESS OF £1M

£175,000

GOVERNMENT-BACKED  
ANGEL COFUND

£275,000

FURTHER INVESTMENT FROM  
HIGH-NET-WORTH CONTACTS

£300,000

CASS CORNERSTONE  
INVESTMENT IN JUNE 2015

£300,000

INITIAL INVESTMENT FROM  
FAMILY AND FRIENDS



## How to pitch for money



the message out there, that there is help for start-ups and for entrepreneurs. The process of applying for assistance could have been a lot easier.”

He is hopeful that having the government’s involvement through the Angel CoFund will help him go global, starting with the US and India, where he hopes to launch by the middle of 2016. “There’s great potential for *Family Traveller* internationally,” he says, “and we want our brand to be available to families throughout the world. We’ve done our research and want to start with the US because the family travel market is very strong there, and also with India, which has 300 million middle-class people who are now beginning to travel, and where multi-generational travel is a traditional concept.”

Other than that, he will also be spending on technology – a six-figure sum for big data platforms that will enable the creation of more relevant and targeted content – on recruiting more staff in ad sales, digital media and subscription marketing, and in boosting traffic to the website.

“In the broadest terms, we’ll be using capital to improve our brand awareness through increased print run and improved search engine optimisation,” says Dent. “By January, we’ll be printing 80,000 issues, up from 60,000, and will also be upping our frequency, initially with two special editions of the magazine next year, one on oceans and the other on the Brazil Olympics.”

Beyond that there are even bigger ambitions – perhaps to

actually sell the holidays they write about. “We’re growing all the time,” says Dent. “A few months ago, when I started looking for round two finance, our annual revenue was about £500,000. Now it’s projected to be in excess of £1m. And our readership figures for both print and online are increasing fast, as is our social media following, so there are lots of new avenues I want to explore. Right now, though, the most important thing is to keep our foot on the pedal. We can’t ease off to give ourselves a pat on the back, because we now have new investors who want to see a return.”

Dent says Cass and the Angel CoFund expect him to put their money to work and though he is slightly ahead of his original 10% growth forecast for 2015, the business is now focused on more aggressive targets.

“There’s certainly been a step change in our forecasts since we received the funding,” he says, “and we’ve adjusted upwards not only for 2016 but also for what remains of this year. Venture funds want to see a good multiple within three to five years – that’s when they’ll be looking to exit – so we have to grow and to increase the value and revenue of the business sufficiently in that time to accommodate that.”

“We’re doing well but there’s no way we can relax and rest on our laurels. We have to keep hard at it, not only for us but also for our investors, who’ve completely bought into our plans. We have a responsibility to them to make their money grow.” ■



**Andrew Dent, Ardent Media**

*“My advice to anyone starting out is to network, network, network. And to look for backers who can provide great contacts as well as funds”*

Dent got through each stage, sometimes speaking to panels of eight people at a time for hours, because he had a rock-solid business plan and exemplary presentation skills. He went into his meetings able to prove he could build a profitable business, that there was a huge market for his product, and that family travel was growing faster than other travel sectors. What was also in his favour was that he had few, if any, strong competitors.

“When you’re pitching for money, you have to anticipate and remove as many of the obstacles that stand between you and your investors saying yes,” he says. “You have to be completely bulletproof. I knew my industry inside out. I knew my figures inside out. I went in with confirmed ad revenues, and with bookings from brands such as Burberry, Estee Lauder, Disney, P&O and VisitScotland. And I went in showing I had strategies for overcoming pitfalls. You’re more likely to impress if you show you’re aware of problems and will be able to deal with them.”

Dent knew he’d be asked about distribution – always a problem for small independent publishers – and was prepared with an answer that impressed his investors. “I’d used my contacts to persuade ocado.com to deliver the magazine to carefully-selected homes within the M25, and that put me in a really strong position when I was talking to the VCs. You have to be a few steps ahead. You have to think of what questions you’d ask if you were thinking of investing and have answers to them.”



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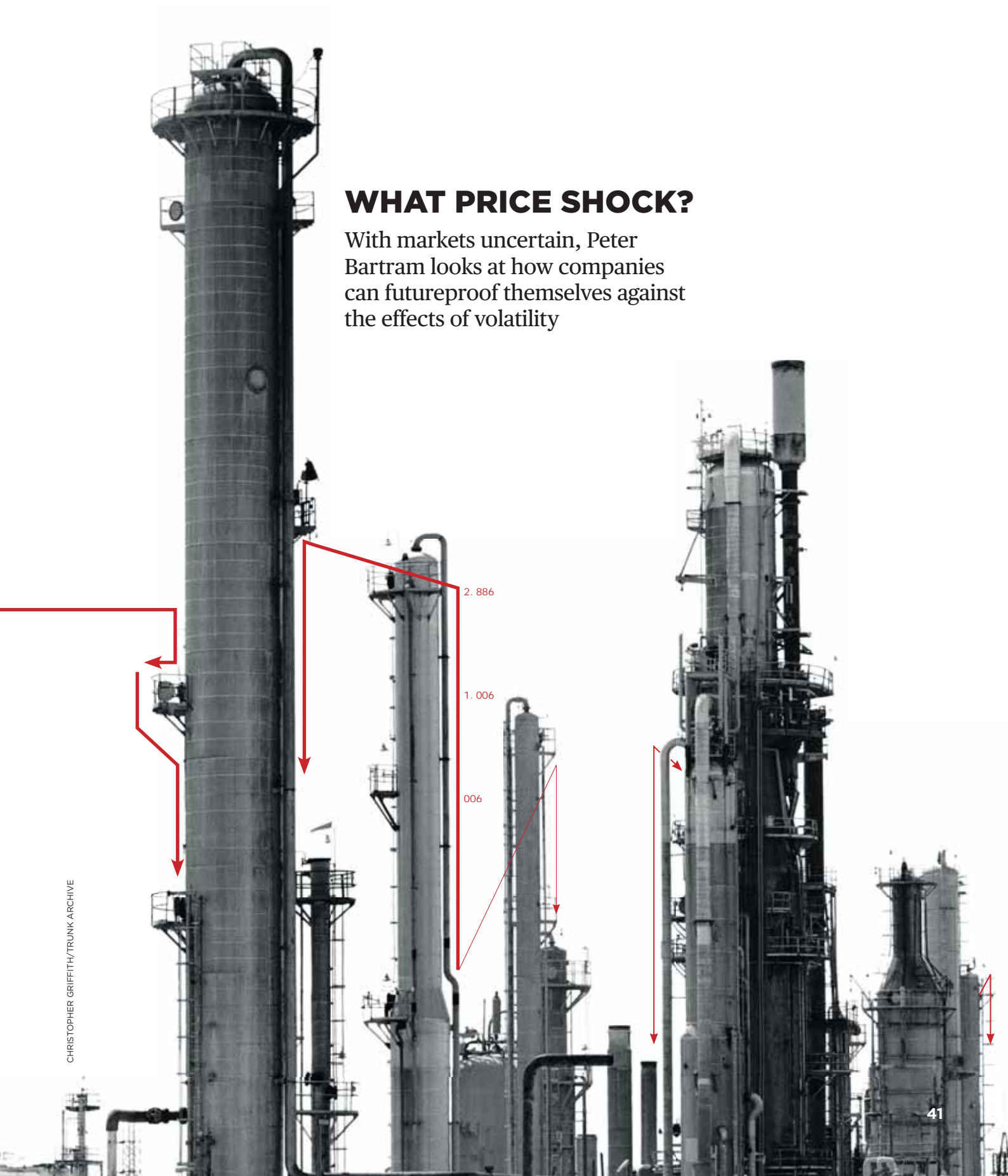
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# WHAT PRICE SHOCK?

With markets uncertain, Peter Bartram looks at how companies can futureproof themselves against the effects of volatility





If you expect anyone to be worried about the volatility in the oil price, it would be Rory Clarke, managing director of Rix Petroleum, an independent supplier of fuel oils. Yet Clarke is so laid back about it all, he's practically horizontal.

That doesn't mean Clarke whistles a carefree air as he steps into his office each morning. See-saws in the price of oil are a real challenge for Rix, as for many other companies. But Clarke has found ways to mitigate the problems of violent swings on the company's bottom line.

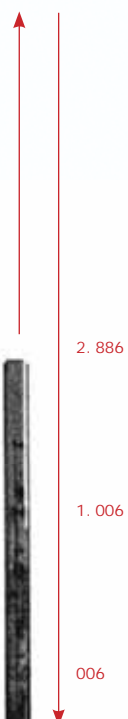
"Nobody foresaw the crash a year ago," Clarke says. "Most of the shock price events in fuel come as a complete surprise." To counter this, Clarke has developed trading policies to ensure that a rise or fall in the oil price which hits one part of the business is compensated in another.

It is effectively a form of internal hedging, although Clarke probably wouldn't describe it as that. Rix stores some fuel at depots, but it buys other fuel "ex-rack" from refineries. "If the oil price is falling so that we're losing value on fuel in stock, we're compensated by falling prices on the fuel we buy ex-rack," he says.

This approach is more effective, he explains, than trying to hedge prices in the market. "Putting a bet on the 3.30 at Haydock is probably as good as putting money on where the oil market is going, as far as we're concerned," he says.

Tristan Price, group finance director at MP Evans, an AIM-listed company whose business includes investments in Asian palm oil plantations, is another executive who is unfazed about commodity volatility. In the past eight years the price of palm oil has oscillated between \$400 and \$1,400 a tonne - it currently hovers around \$600.

But Price is confident MP Evans can ride the rollercoaster because the company's cost structure is designed to make sales profitable, even when the price is at the lower end of the range.







points out that as commodity markets become more volatile and complex it is easy to miss opportunities. A company may think it has got a good deal, when it compares what it paid with a price index, but it may have overlooked a better opportunity.

"The reason that organisations fail to get the best price on commodities is because their decision to purchase is too heavily driven by their own demand trends and needs," Jones argues.

"Rather, it should be led by what is happening in the market. Buying at their point of need puts them at the mercy of the market and significantly narrows their best price and negotiation opportunity.

"They may be getting best price on the spot but this may actually be a very weak price, considering a broader buying window that could be taken into consideration with deeper understanding of market trends." There is no substitute for doing the detailed groundwork to understand in depth the varied and complex drivers in a commodity marketplace, he says.

One of the big errors companies make when they are hedging commodities is to look at it on a trade-by-trade basis, says O'Toole. It's more effective to build a consolidated global view of a particular position on a physical commodity and hedge on that.

The notion of taking a total view of a commodity position is exactly why Clarke's approach is so effective. He knows that movements in the oil price will be balanced out through fuel held in stock, and that bought for spot prices on the open market. But many other companies, where oil is a key input to costs, will not have that luxury.

Although they have benefited from the precipitous fall in the oil price in the past year, they may be worried about the future. Reem Garabedian, from ICAEW's Middle East office, says that mixed messages are coming from producers.

She points out that Gulf Cooperation Council (GCC) countries - including all the major oil producers - are using the oil price fall to cut fuel subsidies they pay to their own consumers, and, thus, cut government spending. On the other hand, Kuwait's oil minister said during the summer that he expected the oil price to rebound.

"Decisions in GCC countries are likely to continue to have a significant effect in determining global prices - and this will partly come down to whether they choose to maintain share or boost revenues," adds Garabedian.

But if there is another price shock - in oil or any other commodity - Clarke has sound advice on how to deal with it based

"Our challenge is about producing as much palm oil as we can at as low a cost as we can," Price says.

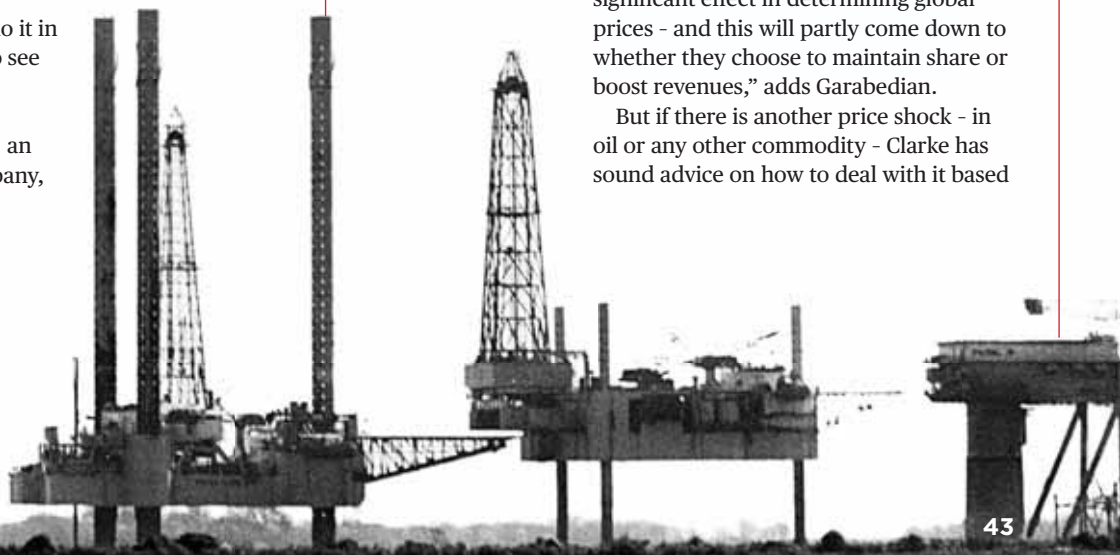
"Providing our cost of production is lower than the bottom of the trough, then we know we can keep producing profitably even through the low points of the cycle."

Palm oil is traded on a futures market, but MP Evans avoids speculation. "We are producers, not traders," says Price. "Rather than incur the costs involved in the futures market, we're happy to take the spot price and save the expense of forward activity - and the risks associated with it. Futures and options should be used to reduce your risk rather than ramp it up. People sometimes lose sight of that."

It is a lesson too often lost in other organisations - sometimes with dire consequences. It is no wonder that boards sometimes call it wrong, often with the finance director made the scapegoat. The volatility of a whole range of commodities, from pork bellies to gold, has kept FDs guessing for years, and will do so long into the future. Perhaps the biggest problem is that an unexpected event can make a commodity price soar or slump. When the Chinese stock market tanked in the summer, it hit a number of commodities. Copper, for example, sank to its lowest price for six years.

Mark O'Toole, vice president of commodities and treasury solutions at OpenLink, which specialises in trading and risk management software, says companies that rely on commodities need to be able to stress test their positions more quickly. "Can you do it in real time or does it take a month to see what happened?" he says.

But Mike Jones, group managing director at Optimum Procurement, an outsourcing and consultancy company,



# **“THIS IS THE INFORMATION AGE.”**

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**MORE INSIGHT**

on Rix's own experience. It starts with what's important to your customers, he says.

For example, some of Rix's customers are hauliers who increasingly build fuel escalators into the prices they charge their customers. On the other hand, bus companies cannot so easily increase fares when fuel costs rise rapidly.

Many companies rely on commodity price indices when they are taking key business decisions. "It is important to ensure that benchmarks used as price reference points are robust, reliable and not being manipulated," says Iain Coke, head of the financial services faculty at ICAEW.

He points out that several agencies, including the Financial Conduct Authority in the UK, the Commodity Futures Trading Commission in the US, the EU Commission and the International Organisation of Securities Commissions, are reviewing measures to build confidence in commodity indices, in the wake of the scandals which shook confidence in Libor.

Unimpeachable information is a vital component when taking future decisions about commodity prices. Adam Reader, head of finance at Grace Foods UK, is a great believer in watching trends when making judgements about future prices. Pepper mash, a tradeable commodity, is one of the key commodities he keeps his eye on. It is an important ingredient of the sauces Grace Foods makes under brand names such as Encona.

Reader is a finance professional who believes that one of the best ways to deal with a volatile commodity price is to manage it within the company's processes. He points out that it spreads the risk by taking out forward contracts with a range of suppliers on a six- or 12-month basis.

When he is drawing up the annual budget, he looks at commodity prices in the context of costs in the whole purchase-to-sale process. He reckons the fact that Grace Foods manufactures its product from its own factory in north Wales gives the company an advantage in managing the effects of an adverse price movement in pepper mash.

"As soon as you have your own supply chain, you have the advantage of additional margin in the product," he says. "You can drive efficiencies elsewhere in the production to offset commodity price movement. You have extra flexibility in the whole process."

That doesn't mean finance professionals can afford to be insouciant about buying commodities. Timing is the key, says Jones. "Good commodity purchasing is as much about avoiding sudden upward price fluctuations just when you need to buy as it is about taking advantage of the lowest prices when they occur."

But Price believes companies can expend too much energy seeking the lowest possible price or hedging away the last vestige of risk. MP Evans takes the spot price for its palm oil. "In the long run - and we are very much a long-run business - that is the most profitable and effective thing to do," says Price.

"Famously, in the long run, you can't beat the average." ■

## HOW TO MANAGE VOLATILITY

When Russia embargoed European fruit imports - a response to measures the West had imposed following its annexation of Crimea - the price of apple juice plummeted by 30% within days.

That was good news for James Davenport, finance director at Innocent Drinks, which makes a range of smoothies and juices. The price had been climbing in the months before the Crimean imbroglio caused its fall, Davenport recalls. And now the price is creeping back up as European producers find other markets for their product.

So even the most prosaic-sounding commodities can fall victim to violent price swings. Davenport is used to handling the fall-out from see-saws in fruit prices. Oranges, bananas, mangos, you name it, Davenport has seen it. Adverse weather, crop diseases, political instability - they can all cause price volatility.

Along the way, he has learned some valuable lessons about how other finance directors can manage the volatility of any commodity. One lesson is to hedge risk by diversifying sources of supply. For example, explains Davenport, Innocent buys mangos from growers in the northern and southern hemispheres.

Another lesson is to flex product range if the price of a particular commodity climbs too high. "If one fruit becomes incredibly expensive, the likelihood is that we'll take it out of our product range for the coming year and put something else in," Davenport says.

A third lesson is that when purchasing a wide range of different commodities, the chances are that price rises in some areas will be compensated by falls in others. And the fourth is that commodity price risk is not as important as the potential impact of adverse currency swings.

The impact of commodity price swings is built into the way Innocent puts together its annual budget. "We start to build a view of what our costs are going to look like for the following year by about April of the previous year," Davenport explains. He knows that commodity prices may rise or fall after that, but it's a starting point.

The overall picture of costs is used to take decisions about the product range for the year ahead. "By the time the budget cycle closes in about November for the following year, we pretty much know what everything is going to cost." That is because most of the buying is done on 12-month contracts with a cap and collar of about 10% to 15% on the amount the company will buy.

Innocent's finance department plays a critical role. "We look at prices of different commodities and make recommendations as to how we can change the shape of the business to reflect," Davenport says. If there is a fruit price shock after the budget is agreed, its impact is reflected in year-to-date figures. "We can see whether we have a product problem as a result and adapt plans to take account of it."

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# Is the UK's anti-money-laundering regime fatally flawed?

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## **YES** *Chris Ives*

You only need to look at offshore ownership of UK property to realise the extent to which the regime is in need of a desperate overhaul. Research by the *Financial Times* has identified that at least £100bn of UK property is owned through offshore corporate structures, and findings from NGOs such as Transparency International have linked an alarming proportion of this property to corrupt overseas officials. Yet under the UK's anti-money-laundering (AML) regulations, know your customer (KYC) checks are not required on purchasers of real estate and the beneficial owners of these corporations are not required to be disclosed, opening the door for an influx of illicit funds to wash in the UK property market. This is not an issue confined to any one industry, but simply an example of a loophole in a fragmented system that is being exploited.

Meanwhile, British businesses spend hundreds of millions of pounds each year in AML compliance costs, including determining which of the 20-plus supervisory authorities they must register with. As these firms lodge increasing numbers of Suspicious Activity Reports (SARs) - over 350,000 in the last year alone - under-resourced law enforcement agencies are overwhelmed. At the same time, regulators pursue high-profile prosecutions of firms for lax AML controls, thus ensuring firms decrease their risk appetite and increase their reporting, further overwhelming the system.

The current reporting regime is convoluted, expensive to enforce and perceived as having little noticeable effect on efforts to combat money laundering. It is time the public and private sectors worked together to overhaul this system.

## **NO** *David Kirk*

The anti-money-laundering regime put in place by the UK authorities, principally in the Proceeds of Crime Act 2002, and the Money Laundering Regulations 2007, contains clear, strict and enforceable measures to combat the use and concealment of the proceeds of crime. The provisions are backed up by both law enforcement, which seeks to punish those who profit from the

laundering of the proceeds of crime, and by professional regulators, such as the Financial Conduct Authority, the Solicitors Regulation Authority and the Financial Reporting Council, which ensure that the regulated community have procedures in place to prevent money laundering. The regulations governing the work of banks, lawyers and accountants in this area are detailed and complex. Regulatory penalties for breaches of the rules by professionals are harsh, and punishment for the money-laundering offences in Part 7 of POCA includes a maximum term of imprisonment of 14 years, and a fine, or both. Breaches of the Money Laundering Regulations are criminal offences.

In June 2015 the fourth EU Anti-Money-Laundering Directive came into force, and all EU countries have until 2017 to implement laws, which are in compliance with the Directive. There is a proper structure of procedures and enforcement both at national level in the UK, and EU-wide.

Anyone buying a house, opening a bank account, conducting any transaction, instructing lawyers and accountants, will find themselves caught up in money-laundering checks, which are required by the regulations to be thorough and inquisitive. It is difficult for them to be more assertive without running the risk of bringing ordinary commerce to a halt, and it is important to maintain a balance between convenience and law enforcement.

## *Chris Ives*

The National Crime Agency (NCA) estimates around £100bn is laundered through the UK every year.

There is a difficult balancing point when imposing AML preventive measures on regulated entities; providing authorities with the information required to detect money laundering while still allowing the free operations of the financial system.

The UK's money-laundering detection measures are focused entirely on SARs, which provide authorities with only a limited snapshot of activity at one institution at a set point in time. More needs to be done to provide a holistic overview of a person or corporate entity's activity in the UK. The recent establishment of the Joint Money Laundering



**YES** *Chris Ives*  
is an associate director  
in Kroll's London  
investigations and  
disputes practice



**NO** *David Kirk*  
is chairman of the  
fraud advisory  
panel

Intelligence Taskforce (JMLIT) is a welcome move to improve the sharing of intelligence among financial institutions and law enforcement.

A more comprehensive solution may lie in a move away from a focus on SARs reporting and adopting a wider transactional reporting model, costs of which could be offset by increased detection and recovery of tax evasion monies and the proceeds of crime.

#### *David Kirk*

Although it is fair comment that the proceeds of bribes paid to corrupt officials and governors in various jurisdictions can find their way into the UK banking system, and that there is a level of property ownership in the UK and other western countries that might be funded by dirty money, the fault for this cannot be laid solely at the door of the AML regime. Globalisation and the ease of cross-border fund transfers have made detection more difficult, and evasion has been made easier.

Beneficial owners of corporations incorporated in tax havens around the world may not be publicly disclosed, but as part of the KYC regime lawyers are required to identify who the beneficial owner of their client is. EU regulators last year voted to introduce transparency disclosure rules on beneficial ownership, and although such disclosure may not be placed on a public register, it will be available to law enforcement.

We have an AML regime which could be made to work better, but which is in essence sound.

#### *Chris Ives*

One of the main purposes of KYC and other AML regulations is to prevent illicit funds from entering the legitimate financial sector and it is evident from

**“It is difficult to be more assertive without the risk of ordinary commerce being brought to a halt”**

the government statistics that illicit foreign funds continue to flood into the UK. NCA statistics from 2014 show legal professionals filed around 3,600 SARs, a little over 1% of the total, last year so although legal professionals are required to conduct KYC checks on their clients purchasing UK property it is not necessarily leading to increased reporting of suspicious purchases to law enforcement.

An AML reporting regime focused purely on SARs relies on multiple reporting entities identifying suspicious behaviour. Given each reporting entity assesses their own risk and is free to decide what they consider suspicious, it is difficult for regulators to have a wide enough view of a transaction in the UK to act to detect and act on suspicious activity within the prescribed time periods.

It may be time for the UK to consider moving towards a wider reporting model as implemented in the United States, Australia and Canada where cash transactions and international fund transfers over certain limits are automatically reportable. It is clear the current AML regime imposes huge financial costs on business yet is having little effect.

#### *David Kirk*

The balance that has currently been struck between preventing money laundering and preventing any business being done is probably about right. We need to sharpen up enforcement, but we should not become obsessed with the risk posed by the fraudulent transfer of the proceeds of crime.

Methods used by money launderers and crooks will develop, and law enforcement must keep up. Greater emphasis on cross-border intelligence and enforcement would undoubtedly assist.

London is a global financial centre providing a safe banking system, which is a vital part of the UK economy. In order to maintain global dominance, it must be seen as clean and orderly. The fact that it plays such a large part in global financial services business probably means that the amount of undetected dirty money going through the system will be large in proportion to other banking centres, but this must not obscure the fact that good systems are in place. ■

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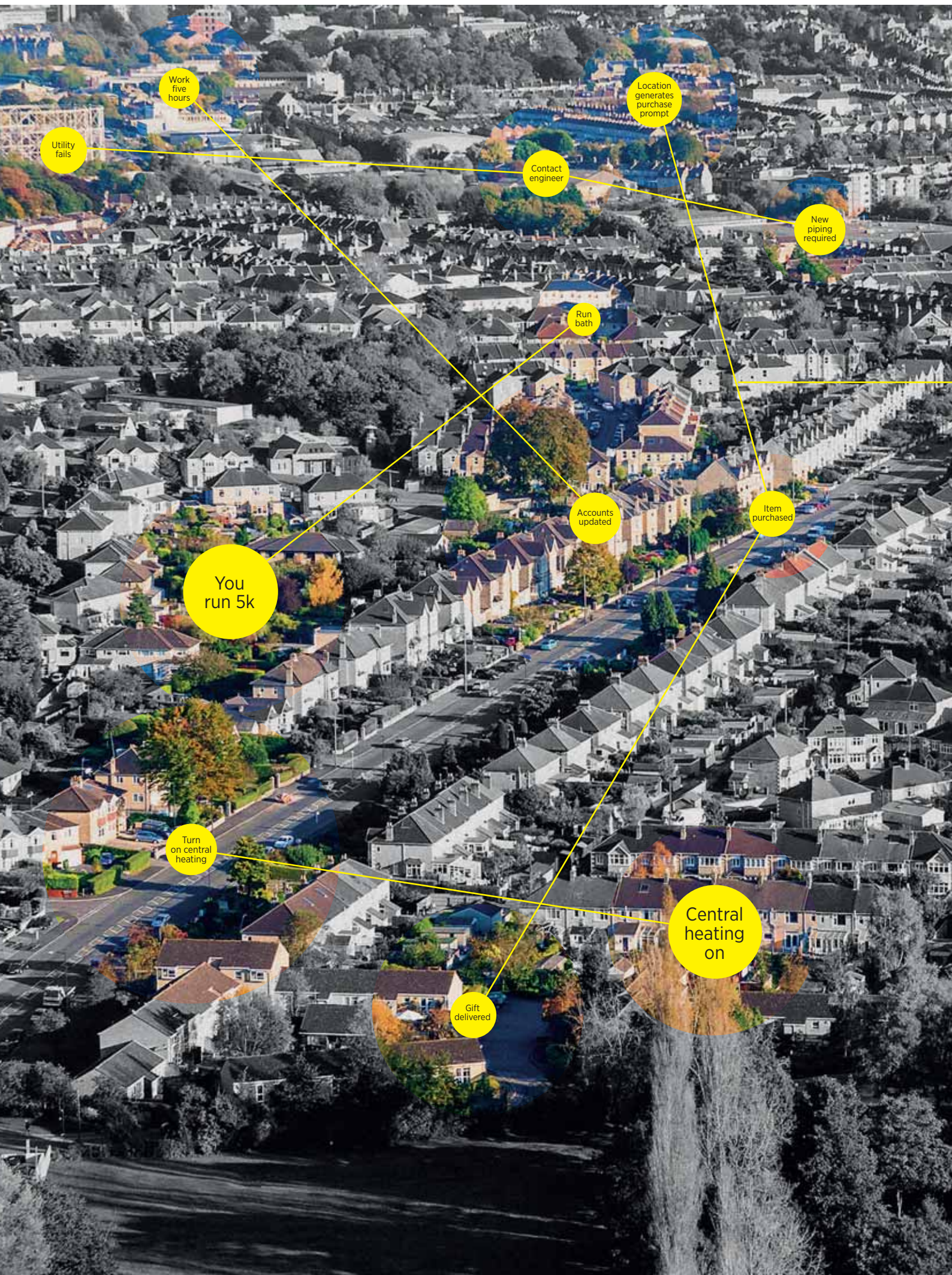
#### Recession and financial crime linked

Further reform is needed to address money laundering by the finance industry

#### Money-laundering probe delayed

Government investigation postponed despite country being “standard-setter”





Utility fails

Work five hours

Contact engineer

Location generates purchase prompt

New piping required

Run bath

Accounts updated

Item purchased

You run 5k

Turn on central heating

Central heating on

Gift delivered



# WORLD'S WIDEST WEB

The Internet of Things is set to revolutionise every sector of industry, so businesses – and their accountants – must fully understand its benefits and challenges, says Iwona Tokc-Wilde

The Internet of Things, or IoT, has its roots in the long-standing efforts to monitor and control the physical and digital environments in which people live, work, shop and play. At a basic level, some of its components have existed for years: thermostats, pacemakers, flight recorders and equipment location tracking tools have been sources of useful data about the user and the device, especially when wired into more complex information systems.

But the IoT only came into being when disparate devices got connected to the internet and got talking to each other, empowered by the new technology of cloud computing, digital modelling and fabrication, and smartphones. Now everything from your fridge to your trainers can function smarter when connected to the internet.

The IoT is big, and it is growing. According to Gartner Group, it will consist of 4.9 billion devices by the end of 2015 (up 30% from 2014), and will reach 25 billion by 2020. Of its three core markets – enterprise, home and government – the Enterprise Internet of Things (EIoT) is the largest. By 2019, the EIoT market is estimated to account for nearly 40% or 9.1 billion devices, according to a report from BI Intelligence.

Guy Wilmot, technology and IT partner at law firm Russell-Cooke, says: “The IoT is increasingly looking like the future and the opportunities for companies are vast – being able to mine data demonstrating consumer habits would mean servicing customers’ needs like never before. For example, a washing machine connected to the internet could re-order washing powder, or a part if the machine breaks down. Similarly, it could feed usage information back to the manufacturer, helping to improve efficiency and user-friendly features.”

The IoT is starting to have a big impact on the accountancy sector, too.

Nick Lawrence is chief executive at NWN Blue Squared, specialist accountants in the creative sector. “I firmly believe the IoT is driving us as a business, and accountancy as a profession in general, changing the way we think about and interact with our clients,” he says. “Without question, communication has changed – the ‘always-on’ world means our clients have much more information at their fingertips, much faster, and expect us to respond at their speed. It also means we have to understand much more about their businesses and their business models.”

Many of NWN Blue

Squared’s clients are in the music industry, including festivals. “Festivals are increasingly using the IoT to link visitor data with revenue streams, for example ticket sales with merchandise or on-site promotions,” Lawrence says. One client, Standon Calling, equips festival-goers with Radio Frequency Identification wristbands, improving the experience for visitors, organisers and on-site workers. He explains: “In a cashless environment created by ‘topping-up’ the wristbands with a money balance, the bars no longer need a £20k cash float; prices can be adjusted incrementally in real-time by five or 10 pence depending on demand; the festival also knows the real-time value of sales and can ensure stock or staff are in the right place to meet demand.”

The use of the technology also engenders a trust-based relationship with suppliers, such as food traders. “The IoT has removed pricing suspicion and allowed pitch fees based on percentage of sales. In addition, the related management information means that informed decisions can be made regarding re-licensing of existing trader partners – or recruitment of new ones – based on performance during the festival,” Lawrence says.

In essence, Lawrence believes servicing IoT clients does not differ from servicing other customers. “Any business, however technologically minded, needs the accountancy basics,” he says. But he adds: “What is different is the quality of business-critical information that is now available thanks to the IoT. For example, combining web traffic, social media, smart mobile technologies and Big Data is allowing even the smallest

businesses to gain greater insight into what works and what doesn't from a business perspective, and provides 'real time' information on sales, enquiries or cashflow."

Still, while the concept of IoT is broadly understood, many businesses and their accountants struggle to assess how the technology could benefit the company in question, and what challenges it would pose.

Currently, the automotive and energy industries are often cited as the biggest users of IoT. "They are both large industries with millions of connected cars and smart meters," says Magnus Melander, IoT consultant at THINGS, a shared working space in Stockholm where big industry players such as Cisco, Husqvarna, ABB and ASSA ABLOY come together with hardware and IoT start-ups and entrepreneurs to collaborate and share ideas.

As for the future, Cisco estimates the UK start-up community alone stands to make over £100bn from investments in the IoT in the next 10 years. Its *Internet of Everything: Unlocking the Opportunity for UK Startups* report reveals that start-ups in the healthcare industry have the greatest opportunity, with the scope to access over £48bn in the next decade; the retail industry is not far behind at £37bn; the transport sector is set to make £11bn; and the energy sector is forecasted to make £7bn.

Melander agrees the IoT will make the biggest impact in the health sector, from general wellness to specialist health and home care. "It will also make a drastic impact in industrial applications," he adds. On the whole, however, the IoT is for everyone. "Without exception, it can transform any area that involves any 'thing' that can be connected to the internet, so there are opportunities in all sectors, from retail to manufacturing and even conservation - the list is almost endless," says Sarah Eccleston, director of Enterprise Networks and IoT at Cisco UK&I.

Cisco's report highlights that, by streamlining processes and removing inefficiencies, IoT adopters can transform their operations and reduce costs. In the oil and gas industry, for example, IoT-enabled automation of remote operations directly impacts on companies' bottom lines. Nav Dhunay, chief executive of PumpWell Solutions, says: "The impact of having smart technology make real-time decisions for remote machines is profound. The machines work at optimal capacity, equipment downtime and failures decrease and safety increases. Personnel on-site time goes down, too - in many cases, there's no longer any need for highly-paid operators to physically visit the site, which costs between \$500 and \$1,000 per well per visit."

The IoT also allows businesses to create better customer experiences, and retail is a good example. "The IoT can bring an end to the shopping queue - the ultimate killer of sales," Eccleston says. She explains: "Cisco's CMX technology can track the locations and shopping behaviours of anyone carrying a Wi-Fi enabled device, such as a smartphone. Combining this technology with a predictive analytics engine to forecast when a customer is just about to finish their shop (smart shopping baskets can do this, based on how full the shopping basket is) means that the shop can direct a member of staff with a mobile terminal to the customer to enable them to pay, removing the need for them to go to a checkout till and wait in a queue."

The technology also opens up new business models and revenue streams, says Brian Levy, chief technology officer, EMEA, at networking solutions provider Brocade. "The possibilities are practically limitless - once devices are connected, there are myriad ways in which to deliver services to users. For instance, smartwatches are ideally suited for the delivery of health services or location-based promotions, and connected home devices allow businesses to deliver additional value through maintenance support services."

Crucial in all of this is the data generated by IoT devices. "Data is the new oil already seems a cliché, but for IoT data is its lifeblood," says Dr Gordon Fletcher, co-director of the Centre for Digital Business at Salford Business School. Therefore, Fletcher says, businesses seeking to adopt IoT will need to recognise what data they

need and establish a robust Information Strategy, rather than rely on their existing IT strategy.

Collecting IoT data is one thing, being able to analyse it is another - cue IoT analytics. "Many companies are used to structured and 'clean' data accessible through queries to databases, but not to streaming, heterogeneous data transmitted in real time. Dealing with this new type of data, and extracting value from it, is challenging and requires know-how," says Gadi Lenz, chief scientist at IoT analytics specialist AGT International.

There are also compliance issues to consider when dealing with data. "Suppliers of connected devices must be transparent about how they will process users' personal data and for what purposes, and must obtain specific and informed consent to that processing," says Louise Taylor, senior counsel at law firm Taylor Wessing.

"Also, users have the right to manage their personal data, for example by requesting that inaccurate data is corrected. Therefore, companies need to address privacy issues at the design stage, not as an afterthought," she says.

The collection of data must also be limited to no more than what is needed. "This 'data minimisation' principle doesn't sit easily with the Big Data trend of aggregating and crunching pools of data for new applications," says Taylor. "This is one area where IoT industry practice and regulatory guidance is likely to evolve over time."

According to HP Security Research, over 70% of commonly-used IoT devices are vulnerable to being hacked or compromised, so data security needs to be addressed early on, too. Taylor says: "To minimise the risks, IoT stakeholders need to prioritise data security and adopt a 'security by design' approach to device development, as recommended by the EU Article 29 Working Party released in autumn

2014.” She adds that the new EU data protection law looks set to be finalised in early 2016. “There will potentially be more restrictions around profiling and data retention, higher penalties for data security breaches and clarification that certain types of metadata and device data will be treated as personal data,” she says.

Businesses can also mitigate security concerns by partnering with a trustworthy, reliable IoT network service provider. “Companies should have appropriate service level agreements in place and these should include clauses around data ownership and access, explaining where the data generated will be stored, who will have access to and rights over it,” says Levy. He adds: “Failure to see to this could be costly, since they might find themselves unable to retain control over who accesses sensitive data, and may not be able to switch providers without significant data losses.”

Accountants also can help clients manage the risks associated with IoT. “They can help clients understand what the security and privacy risks are versus the business value of their IoT initiatives,” says Richard Anning, head of the IT Faculty at ICAEW.

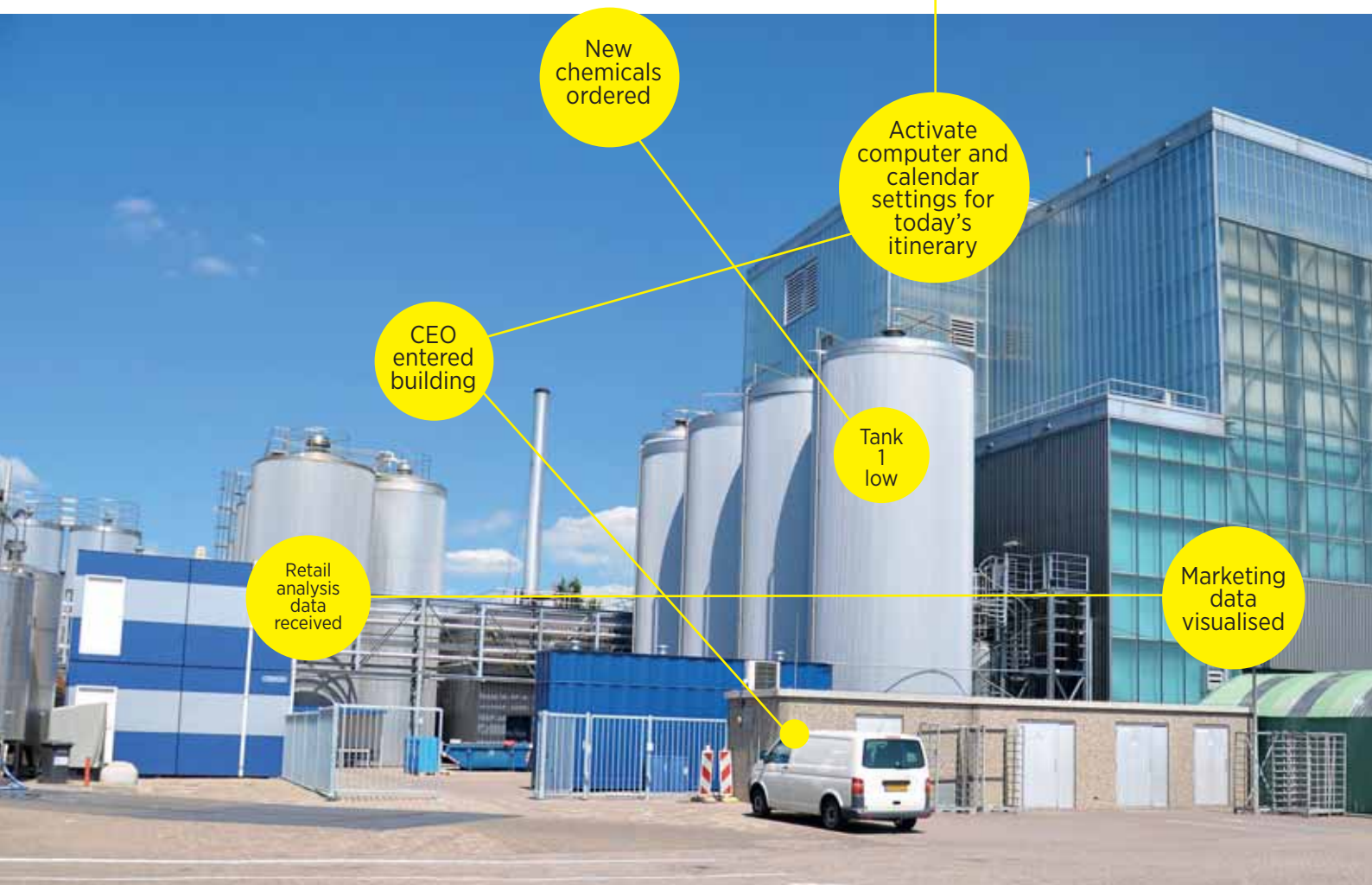
“Accountants should also see themselves as the guardians of the IoT-generated data - they can help gather, curate and make it meaningful, they can produce reports on it, and they can change ‘behaviour’ based on it.”

They can also guide clients through other challenges of doing business in an IoT environment. “One of the biggest challenges in the creative sector is the issue of downloads and streaming, and the way the IoT is affecting business and creativity,” says Lawrence. “Creatives have to find methods of monetising the opportunities and we can help them establish the right systems to monitor the publishing and distribution of creative products, and gather royalties and other revenues,” he adds.

While it is clear Lawrence sees IoT as an opportunity for his own business,

other accountants are not as convinced as he is. “I guess it’s whether you perceive the incredible steps that have been made in technology as risks or opportunities. Sadly, much of the accountancy profession still believes the world would be a better place without IoT, but I’m one of an increasing number that disagree,” he says.

Some practice staff now fear automation of tasks and processes may lead to them becoming redundant, but this fear is - at least for now - unfounded. “Depending on your definition of IoT, the impact on smaller businesses is going to be limited in the short term,” says Anning. He adds: “More data and capabilities will be available to help understand better and certain processes will be automated; it is a question of how usable the technology can become for practitioners to take advantage of it.” ■





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Saturday

Sunday

Monday

Tuesday

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Friday

# A DAY IN THE LIFE

After a long career working for some big companies, in some big jobs, **Martin Augier** invested in a small car business. Raymond Doherty visits Brighton to find out what prompted the change

PHOTOGRAPHY: JON SNEDDON





## HOW I CHANGED CAREER

I left school when I was 16. I didn't want to go to university, but I couldn't work out what I wanted to do. I thought, everybody needs an accountant, so I might as well try it - that was the sum total of my thought process. My parents did not have a finance background and they didn't push me into it, I just decided.

I had a long career working for big companies with some big jobs, and managing people was my strength. I wouldn't know an operating system from a hole in the head but I can get results from a disparate bunch of people. I spent over a decade at American Express Europe, and ended up as one of their most senior people in the UK. I worked for Lloyds as an internal consultant, I was interim COO for Barclays Bank - I usually moved on quite quickly. I was a gun for hire, really, launching projects, heading up teams.

I was enjoying myself and making plenty of money, but I wanted to do something different. I had this idea to move into a local operation, which would provide me with an income for a while before possibly selling it off. I'm not a petrol head, but I invested in this Suzuki business in Brighton with a partner. Unfortunately that relationship didn't work out, so I took it on alone. It's been interesting, but my goodness, it's hard work.

## MY RESPONSIBILITIES

As managing director I work by myself around 30% of the time and have 15 people to look after. I try not to involve myself in every part of the business. I try



Martin Augier was making a good living and in no way a petrol head but wanted a change of scenery

to stay in areas that really drive the business forward. You can only keep so much in your head. A lot of customers come in and say: 'Hi, Martin, how are you doing?' We've got 2,000 customers, so it's difficult remembering names.

The amount of red tape and regulation smaller businesses in this country have to navigate is a job in itself, and it's getting worse. I think small businesses are going to be under a lot of pressure in the next few years. I know it's the biggest growth market, but they're mainly one-man bands.

## MY TYPICAL DAY

I don't bother with an alarm; I just wake up at 7.30am. I listen to Radio 4, make my wife a cup of tea, and leave. I don't eat breakfast at home - there's a food truck that comes around so I just grab something from that.

I look at the results from the day before, look at the bank to make sure it's where I expected it to be. This is a small business: we turn over £3m a year.

I'll try to sit down with my head of sales and head of service, but it's impossible to have set meetings as everyone's so busy. Then I'm often helping out: picking people up, delivering cars, getting bids, doing paperwork. Everyone's got to pitch in, there just isn't any other option.

By the time I get home - it's generally not before 7:30pm - I'm knackered. I watch the 10 o'clock news, and I'm up very late, until 1am or 2am usually. I don't really get stressed, but I'd like to have a more balanced life. I've clearly spent too much time working.





His work-life balance may be lopsided but he has built a business model that is imitated by competitors



**“The real profitability in this business is not selling cars, it’s in the service. It’s a case of hanging on to new customers, turning them into repeat customers, and getting everyone to refer their customers to us”**

#### MY RITUALS

I have five children who are all grown up, so it’s just my wife and I at home because the dog died. We’ve got six bedrooms and we have grandchildren coming around now, which is great. I try and spend as much time as possible with them. When I stop this work I’m going to relax more and go on more holidays - I rarely take time off. I play golf most weeks, which I suppose is quite relaxing. I also have other business interests that take up quite a bit of my time. For now though, I can’t leave it alone long enough. Unfortunately it is a bit obsessive - this upsets my wife terribly.

#### THE CHALLENGES I’VE OVERCOME

This place didn’t have a good reputation when I took over, so we bent over backwards to improve it. In fact, what we do now is probably copied by a lot of others. If you come in here to have your car serviced we’ll give you some refreshments, and we either offer you a courtesy car or give you a lift, drop you off and pick you up, or collect and deliver your car. Before, that wasn’t the ethic here. The morale was terrible.

The real profitability in this business is not selling cars, it’s in the service side. If you’re lucky you cover the costs of the showroom - which are a fortune - and use the service business to make money. So it’s a case of hanging on to new customers, turning them into repeat customers, and getting people to refer their customers to us. Of course all of our competition also aspires to that so it’s not easy out there.



Augier is committed to managing the numbers, he has a talking balance sheet in his head



### INDUSTRY QUIRKS

We still have to deal with the car salesman stereotype, and of course there are some out there perpetuating it. We have to work to gain trust, but a lot of people understand that selling is a profession. To do it properly is difficult, you can't just wander into a showroom and say: 'Want to buy a car, mate?' There's a complicated process that goes on behind each sale.

It's such an emotional purchase for people, it's exciting. New cars smell different, they drive different, they feel different.

### HOW THE ACA HELPED MY CAREER

It unquestionably opened doors. It is the discipline that you have to go through to become qualified. I know accountants today who don't understand double-entry bookkeeping because it isn't used any more. We all had to learn it back then.

### THE HABITS OF AN ACCOUNTANT

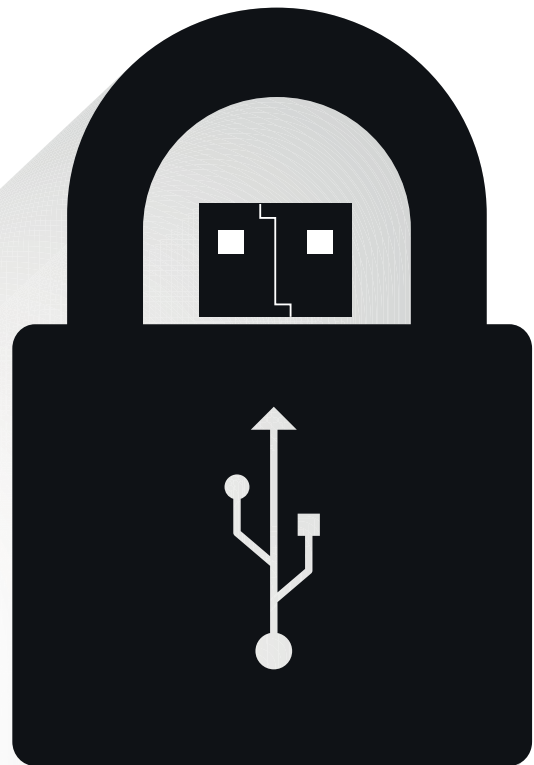
I always know where we are. I've always got a balance sheet appearing in my head telling me what the business is doing; what the next month and the month after that is going to look like. I'm very rarely wrong. Cash flow problems kill in this industry - you can have £100,000 go out of your bank in one day. And if you haven't got it, guess what happens? ■

**“Selling is a profession. To do it properly is difficult, you can't just wander into a showroom and say, 'Want to buy a car, mate?' It's such an emotional purchase for people. New cars smell different, they drive different, they feel different”**



# CYBER-SECURITY

Focus on technical solutions alone is equivalent to leaving home without your trousers. Governance is equally important



**N**inety percent of smokers will die or become ill because of their habit. They all know this. Yet most convince themselves that they will be in the 10% that dodges the bullet.

When it comes to information-security and its not so little brother, cyber-security, the question increasingly is not whether a company will be attacked but when. Those who ignore this simple fact are probably crazy, stupid or incompetent. There is no patch for any of these. Adopting the ostrich approach will only prevent you seeing it coming – and present the hacker with an amusing view on the approach.

The kernel of any good cyber defence is a simple, well-crafted governance regime. Identify the threat, quantify the risk and array defences accordingly. The magic ingredient is always proactive engagement on the part of management. Below this, cyber-security must be an, “everyone all of the time”, situation. Drop your guard and a hacker will spot and exploit the vulnerability in a moment.

Governance – rules, processes and procedures – must be clear, concise, written in plain language, effectively promulgated and effectively applied. NO exceptions. Training and education must take place. This all might seem a drag and expensive, but neither of those consequences are worse than the company going to the wall because you didn't do the simple things. Even the smallest enterprise needs to ensure that their people know what they need to know and do what they need to do.

Unsporting hackers spoof email addresses/links very effectively. If you are busy, tired, or both, it is a simple and

easy mistake to open one of these. Some estimate that as many as 95% of all hacks begin with a successful phishing attack.

Well maintained cyber-security tools and a structured update and patching programme are vital. But this will only assist as part of a concatenated plan that has, at its heart, good governance. That plan is what will save you from a heap of misery on the day that the hackers visit.

Management must be clear about what they will do in the event of a cyber breach – and they will need to have practised it. A potential problem will swiftly turn into a full-blown crisis if the response is inadequate – ask BP or Sony. No plan? You have an 80% chance that you will soon be just a statistic. The days of blissful ignorance are rapidly receding.

*BronzeyeIBRM offers an affordable subscription-based information and cyber security service to SMEs and others.*

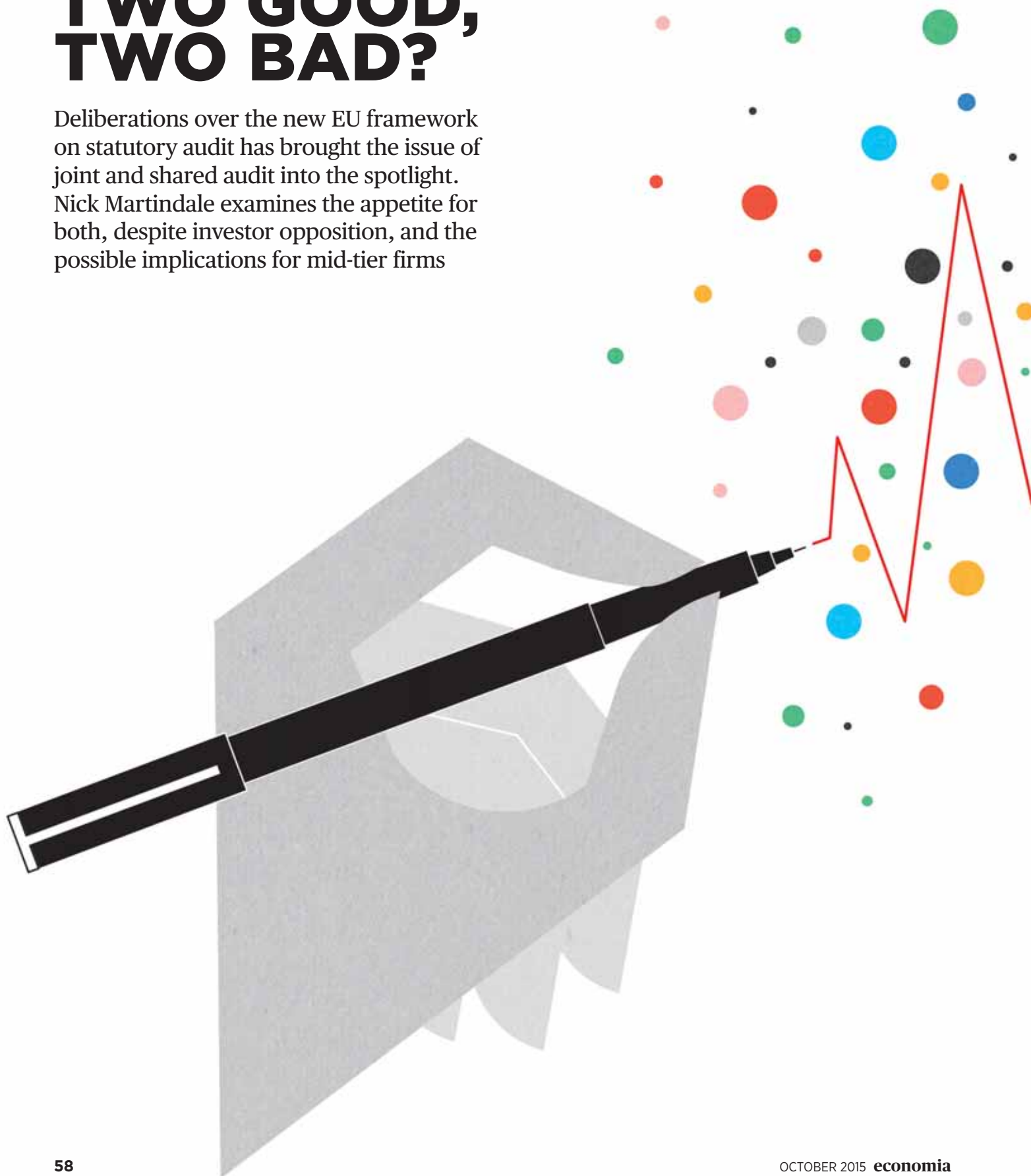
**For more information, please contact [info.bronzeye@hushmail.com](mailto:info.bronzeye@hushmail.com)**





# TWO GOOD, TWO BAD?

Deliberations over the new EU framework on statutory audit has brought the issue of joint and shared audit into the spotlight. Nick Martindale examines the appetite for both, despite investor opposition, and the possible implications for mid-tier firms





One of the many legacies of the global financial and economic crisis has been a desire on the part of regulators and governments to create an audit regime that will ensure there is no opportunity for organisations to, knowingly or otherwise, overstate their accounts or disguise poor performance.

Much of the subsequent attention from the European Commission has focused on mandatory rotation, with the aim of preventing excessively cosy relationships between organisations and the Big Four firms in particular, but the concept of joint audit - where two firms jointly undertake responsibility for the audit - has also been promoted, pushed in particular by then internal market and services commissioner Michel Barnier.

Although not directly included as a proposal in the new EU regulatory framework on statutory audit, member states will have the option of making joint audits compulsory, which would see the proposed mandatory rotation period increase from 10 to 24 years.

Joint audit has long been a legal requirement in France, where it has helped firms such as Mazars in particular pick up work with large corporates. "Joint audit has been critical to the development of Mazars over the last 30 years," says David Herbinet, global head of audit. "It has given us the ability to play in the same league as the Big Four. That's probably quite unique in any major economy in the world because you would normally have the Big Four and then the other firms are quite a long way behind."

In the UK, however, such audits are rare. "If you went back 10 years you would have found a few, but over the past few years it has become almost unheard of," says Gilly Lord, head of regulatory affairs at PwC. "Cost has something to do with it because corporates and audit committees would anticipate that

they might be higher. The much bigger driver, however, is the sheer difficulty and potential disruption. If you start exploring the practicalities, you would need two entirely independent audit firms to agree on all of the key audit judgements. An audit committee might see a situation in the future where that might be hard."

Henry Irving, head of audit and assurance at ICAEW, says many organisations have concerns over the concept. "Generally speaking, investors have said that when you have two firms signing the audit report the question is who is responsible?" he says. "Under current auditing standards both are, so that means you do get duplication of work. There's also the issue of whether things fall between two stools, and it's very hard to tell from an audit report with two firms signing it whether they have or not."

Steve Barber has acted as non-executive director and audit committee chairman at retail giant Next for eight years, and had experience of joint audits while working as an audit partner at a Big Four firm. "My experience of joint audits is that they don't work," he says. "You want to be able to point to one guy and say 'we need the answers'; and you don't want to find you have to consult with two firms, especially their technical departments, as it becomes bureaucratic. You're duplicating lots of things, and inevitably you'll get some passing of the buck."

Mandatory rotation is a more effective way of preventing any potentially dubious relationships, he adds, as is the presence of audit committees. "You have some pretty heavy-hitting guys on audit committees who have their own reputations and integrity to protect," he says. "If there were too cosy a relationship with the CFO an audit committee would step in and stop it."

Herbinet, however, comes back to the point about widening competition in the market. "If you talk to pretty much any audit committee chairman or investor they would all agree that four



firms in the large corporate market is not good or something that should continue,” he says. “Joint audit has proven to be an effective mechanism to bring competition in the market.”

Research by Mazars also challenges the view that such arrangements lead to significantly higher costs, suggesting these rarely exceed 5%, and are usually borne by the audit firms rather than passed on to clients.

Despite this, such initiatives are unlikely to happen any time soon, unless driven by legislation, suggests Tom McMorrow, director of policy, regulation and ethics at Baker Tilly, one of the firms that could potentially hope to benefit from joint audits.

“The fact they’ve not happened with the prevalence that some of us might like is down to market forces, but also to a lack of government push for them,” he says. “Governments’ attitude – and this is true of Europe as well – is that companies can do these things already, so if they were desperately keen to have them then they would move towards them themselves.”

Linked to the concept of joint audit is that of shared audit, where one main auditor takes overall control with the support of a secondary firm, perhaps for non-material subsidiaries. This is an area in which Grant Thornton has won a degree of work, including a number of subsidiary companies for mining giant Rio Tinto. “We audit several subsidiaries, which are not material to the group but some of which would be FTSE 350 businesses in their own right were they listed separately,” says Paul

Etherington, quality and professional affairs leader. “It’s very difficult to prove if there’s a cost benefit but it does keep an incumbent on their toes. Conversations with clients about this are much more regular now than they were five years ago, because people are thinking about things in a different and more creative way.”

There are a number of reasons why this kind of arrangement may appeal to companies, although this will depend on the individual circumstances, says Irving. “Businesses are becoming more complex and globalised so the need to have auditors locally to deal with subsidiary companies becomes more important, and having offices in every single country around the world is quite a strain, even for large networks,” he points out. “But the reporting standards say that the group auditor has responsibility for all component auditors as if the work was being done by themselves, so they need to be pretty sure that the standards are being followed. That’s a lot simpler to do if you’re working with a firm that is within your network.”

Barber also has concerns over efficiency. “It is feasible, because some firms may not have the expertise in some countries,” says Barber. “But if you have 25% of the group being audited by another firm in another country, are you as happy as you would be if you had 100%? Actually you’re probably going to do a very thorough review of that company’s auditors. It’s not as inefficient [as a joint audit] but there is some inefficiency.” This



kind of duplication would likely remove any potential cost advantages, he adds.

More significantly, there are also possible issues over quality and the potential for financial wrongdoing. "I'd be very worried if a local CFO was insisting you kept a local firm to do the audit rather than the group auditors, because that would throw it wide open to abuse," adds Barber. "At a subsidiary level you could easily get the auditors being far too close to management."

This is also an issue for Tony Cates, head of audit at KPMG: "As a Big Four head of audit I would be concerned about the risks involved in having a cheap audit in a far-flung country, and then how that firm reports into me at a group level, because I'm still signing off on the group," he says.

"It's easier for a KPMG group partner in London knowing that KPMG in South Africa are doing the audit on the same technology and to the same international KPMG auditing standards. I'd be very reluctant to pick up an audit where KPMG were auditing at the centre, where I wasn't sure about who the auditors were in the various parts of the group."

Nor should it be assumed that mid-tier firms will be queuing up to get involved in such situations. James Roberts, senior audit partner at BDO, makes a distinction between fulfilling a local compliance function in a largely standalone capacity and being embedded as a junior partner in a shared audit. "Our ambitions stretch beyond the second-fiddle role, so I don't think we would be particularly promoting shared audit as a concept," he says. "But we do get involved in shared audits where they aren't critical to the group audit; that's meat and drink for us."

Lord, meanwhile, expects such arrangements to become more common as the implications of different rotation regimes around the world come into effect. "In Europe we have this basic 10-year regime, but some countries will take different options," she says. "Italy is going to have a seven-year rotation regime. If you're a multinational group following the UK regime with a listed Italian subsidiary which has to follow the Italian regime, straight away you have a 10- and a seven-year rotation regime. Where you have international groups trying to cope with rotation regimes with different lengths we may well see more shared audits."

Whether either shared or joint audit truly have the potential to break the hold of the Big Four on the audit market, however, remains to be seen. But Herbinet is convinced this could happen, and says Mazars is talking to a number of potential shared audit clients in the UK. "Whether you look at shared or joint audit, this is an opportunity for firms outside the big four to demonstrate their capability, strength and quality, so clearly this is good news for them and probably not so good news for the dominant firms," he says.

"What it will do is get stakeholders used to the idea that firms outside the Big Four can operate in this market, which is really important because a lot of the issues today are caused by an incorrect perception by the market that only the Big Four can do this kind of audit," Herbinet adds. "The difference is that shared audit will mostly be under the radar, with no public visibility for the market, which is good in a way because it makes it easier for companies to do it."

For Cates, though, the emphasis on quality and experience will continue to play into the hands of the biggest firms. "Audit committees are looking for a better quality audit, so we're all competing on that playing field, and that's why the smaller firms have struggled, because they can't demonstrate a track record auditing big companies," he says. "If I was in a mid-tier firm I'd be thinking I have to look at a particular sector that I can invest in. No one's done that yet." ■



#### FRENCH CONNECTION

Alan Thomson is chairman of Hays and has acted as audit committee chair at French power generation and transmission business Alstom Group since 2007, so has seen at first-hand how joint audits operate.

"Unlike in the UK where you name a firm, in France you name individuals who work for a firm, and then every six years they have to be either re-elected or changed," he says. In 2009, the audit committee decided to change both its auditors, he adds, appointing PwC and Mazars, and retained both firms - with different individuals as partners - earlier this year.

In practice, the four divisions of Alstom have been split equally between the two audit firms, he says, with one taking responsibility for the group's transport and grid system businesses and the other its power generation and environmental divisions. Thomson meets both audit firms four times per year, and has strong relationships with both sides, although he admits one reason for changing the auditors in 2009 was the inability of the two firms to get on with each other.

He is also keen to reject the argument that such arrangements inevitably cost more. "We know it hasn't affected us financially, because we look at the fees that we pay, and we compare them with others and there's no real difference."

Thomson, though, is less keen on the concept of shared audit, having experienced this while working as a finance director in the 1990s, when the business ended up paying significantly more due to overlapping responsibilities among different Big Four firms handling different countries. "After a year I did a beauty parade in front of the Big Four," he recalls. "The audit fee dropped by half."

# MAKING THE GRADE

34 With increasing numbers of students achieving top marks, employers are looking beyond academic ability for a means to differentiate between candidates. **DUNCAN CHEATLE** argues for a more practical approach

**I**n early May this year PwC, the largest graduate recruiter in the UK after Teach First, announced that it will no longer be using A-levels, and the UCAS tariff that assigns points to these and similar exams, in its selection of graduate hires.

How times change. When I joined PwC (Coopers & Lybrand as it was then) in 1991, selection was focused on A-level grades rather than class of degree – evidence showed A-levels were a better indicator of success for the comparatively hard professional ACA exams. The focus then was on hiring people who would pass first time.

Back then, though, an A at A-level meant something: 10% of those sitting the exam achieved the top grade and attainment across grades A to E fell into a useful normal distribution. As an employer you could gauge level of achievement. Last year 26% got an A or A\*, and more than half got an A or B. How can these scores be helpful to anyone in assessing differences in academic ability?

This begs the question, what are grades for? Are they a measure of relative (to your year's peers) performance or a well-defined assessment of ability of young people regardless of how many achieve that level of competence? If we can believe that grades reflect absolute rather than relative ability, then over time one might expect a gradual improvement in grades if teaching standards rise, and this can clearly be a useful measure.

If we look at GCSEs, the picture is remarkably similar to A-levels: the number of people achieving grade A rose over a 25-year period from 8.4% in 1988 when they were introduced to 22.4% in 2012. They then fell until last year, when they rose again to 21.3%. Last year almost half (43.2%) of grades awarded were a B or higher.

While teaching may have improved, anecdotal evidence from employers and universities on the quality of candidates doesn't tally with the level of improvement the grades awarded suggest.

The situation is no better in higher education: last year one in five graduates were awarded a first-class degree, a proportion that has doubled in a decade. Some 70% of all graduates now get at least a 2:1. Do we really believe the increase reflects only a lift in academic achievement, or could it be something to do with university league tables?

Anecdotal evidence suggests the latter, and in my view this is storing up trouble for universities in the future.

But it's not just grade inflation that fails young people and employers alike: we are churning out students who learn how to pass exams, but not how to think and solve problems. And for those who don't adapt well to the academic system, the endless testing crushes what confidence and happiness a child may have had. In a bid to improve education we have resorted to targets and league tables that have inevitably spawned a structure that obsesses over exam grades at the expense of all else, and the result is grades that no longer measure what is important for work life – and to give so many the same high grades means that they have little value to genuinely high academic achievers, or employers who seek to select on grades.

Caroline, who came to work with me when she was 18, offers interesting proof of how flawed and subjective the marking system has become. Frustrated with school, she left at 12 with her mother's blessing and then self-taught. She couldn't sit GCSEs because she couldn't afford to have her coursework assessed, so she focused on five A-levels. She got four As and a B (before A\* came in). Now here's the interesting part – she felt she'd done quite a decent paper in the subject in which she was graded B.

Her sense of frustration was fuelled when, while applying for Cambridge (where she went on to get a first and is now doing her doctorate), she got the highest mark that year in the Thinking Skills Assessment test (used by Cambridge colleges because too many students get predicted A grades in their A-levels).

If that's not convincing enough, I was on my best friend's stag do recently where the others were all teachers and all were lamenting the fact that “in their day” they could mark an English paper and just knew what an A or B grade paper was. Now they find themselves having to downgrade outstanding papers because they have not complied with the marking structure. This is a travesty and is letting down our youth.

What's needed here, I believe, is the equivalent of accounting's substance over form principle. Right now, process has trumped common sense.

PwC argues that evidence shows state-educated students end up performing better at university, having had time to catch up with their privately educated peers. A focus, it says, on degree results over A-levels ensures a greater chance of employing from a much more diverse social background.

Privately, a PwC partner shared anecdotal evidence that also showed many of the people they “bent the rules” to allow in 20 years ago (because they didn't have the grades at A-level but “saw something special”)

To give so many the same high grades means they have little value to genuinely high achievers

To draw the best talent you need to identify the top potential through means other than exam results

fortune to chair over 500 roundtable discussions over the last 15 years. Staff challenges have come up at every one and the struggle of attracting young talent is often raised. It's clear to me that both corporates and growing businesses are increasingly realising that to draw the best talent you need to reach and identify the top potential through means other than exam results. Interestingly, there is no correlation in the success of our members and their academic ability. We have members with firsts from Oxbridge all the way through to one member who struggles to read and write. They all run multi-million pound businesses.

If this is true, I wonder how many young people are being let down as they enter the workplace, because they never make the cut for interview with employers who only look for As and Bs or firsts and 2:1s. And employers who make this their primary selection process still find they are inundated with candidates because so many get these high grades.

Our members have consistently said what they look for alongside basic literacy and numeracy are soft skills like resilience, creativity, communication and analytical skills, team work, leadership and so on. Hard skills in many roles, they say, can easily be taught: values, belief systems and soft skills are harder to teach in the workplace. The panacea, they tell me, would be a means of assessing young people on soft skills and values in addition to academic and hard skills at the outset of the hiring process.

I have spent the last three years researching, developing and launching the digital platform Rise-to.com to address this very issue. We believe we've found a better way to connect young people with the workplace: employers and young talent are auto-matched based on criteria and skills set by both, based as much around values and soft skills as academics. At the same time it enables businesses cost-effectively to feed back to young people why they are not selected and what extra-curricular activities really do improve their employability - something our research has shown young people are still unclear about.

PwC's announcement is a watershed moment. While not the first (Grant Thornton moved away from use of academic qualifications as entry requirements in 2013), it is the largest private sector graduate recruiter. Others will follow. We shall see

are now partners or went on to do very well outside of practice. In many cases the exam-passing capability among the smartest few academically did not extend in equal measure to the commercial and soft skills essential for workplace success.

As founder of The Supper Club, a membership organisation for 350 of Britain's most successful entrepreneurs, I've had the good

whether our platform wins out in our space, but I'm sure others will follow our lead just as others will follow the lead of these large accountancy firms. It's great to see our sector leading the way.

Indeed PwC's rival EY has recently announced that it is going a step further by ignoring all academic results at the initial assessment stage, stating that a degree is not a good indicator of success in professional exams. They will use their own assessment tools, taking account of exam results only in final selection. You're not alone if you spot the anomaly here between what PwC is saying and what EY has just stated: the truth is there are the same sort of biases in selection from higher education as there are at A-level.

What they, and most successful entrepreneurs I've met, have known for a long time is that academic ability at whatever level (school or higher education) is a poor measure of business capability (specific professions aside, where a degree is essential). Of course there is a correlation between academic results and success in life. But this is probably as much or more to do with all the other life experiences we share growing up if we come from more privileged backgrounds that helped us get those exam results.

The education system needs a serious rethink on how it assesses our young talent or we will see more employers making academic grades redundant.

The silver lining is, of course, that it's this very grade inflation and testing-obsessed teaching system that has led us to this tipping point. I am optimistic that this might be the dawn of a new era in which the UK reconnects with what we do best as a nation: create, invent and engineer the very best products and services. If we can realign education to foster these skills in our youth, we will be well-placed in the world 50 years from now. ■

*Duncan Cheattle is founder of Rise-to.com, a learning and recruitment platform for young people. He is also co-founder of StartUp Britain and Prelude Group and sits on the advisory boards of the StartUp Loan Company, the Centre for Entrepreneurs and Sheffield University Management School*





# Whatever next

For someone whose career has been more impromptu than mapped out, **Leslie Ferrar** has a striking CV. The former treasurer to HRH The Prince of Wales tells Amy Duff all about it

She has always marvelled somewhat at people who meticulously plan their careers in advance. Hers has been more of an organic adventure: where she thought something sounded intriguing and enjoyable, she went for it. We might all rely more on happenstance in that case, for Leslie Ferrar's curriculum vitae reads like this: a 29-year career with KPMG where she qualified as a chartered accountant and went on to become partner; former treasurer to HRH The Prince of Wales; non-executive directorships including Penna, Breakthrough Breast Cancer, CAFOD and the HMRC Risk and Audit Committee, and current non executive chairman at The Risk Advisory Group.

"Something tends to come along where I've thought, 'that would be a really interesting thing to go and do'. And I've been lucky enough to go and do it. It's been a twists and turns career, unplanned, but always fun," explains Ferrar.

Her instinct to follow in her grandfather's footsteps and become a chartered accountant rather than a chemist proved to be a judicious one. As she recalls, she had always been quite good with numbers and thought accountancy might be a good grounding to then "jump off and do other things". As it happened, she loved it so much she stayed in practice for 29 years. She qualified at Peat Marwick Mitchell (now KPMG), where her grandfather had been an accountant in the Paris office, and transferred to the UK tax practice in 1980, becoming partner in 1988.

She led the firm's £100m turnover international expatriate practice from 1990 and became a member of the international board that ran the global tax practice in 1997. She says it was "an enormous challenge, but enormous fun", and the international aspect to the work gave her a solid understanding of how culture impacts business. "That experience helps you with companies you're advising," she says. "The more experience you have, the more you think, 'ah, I've seen that problem before'."

She also gained invaluable experience when she was given the opportunity in 1996 to spend three months at Harvard Business School on a management development programme, where she collaborated with people "from all walks of life". If she learned one thing it was that there is "never, ever a stupid question". She explains: "You must ask - so many people don't, in boardrooms, in meetings. People come out and say, 'I didn't like to ask, I thought it was a stupid question.' You think, 'if only you had, the discussion would have been much more fruitful.'"

So how did Ferrar end up working for the royal household in 2005 when, as lead for global sales in tax at KPMG, she was having such a "lovely time"? She knew Sir Michael Peat, who was the Prince of

Wales's principal private secretary and someone she knew well from her time at KPMG. They were creating a longlist for the role of treasurer and he asked that her name was added to it. "I thought, 'what am I going to think when I'm 80 and look back at my life and could have had the opportunity to work for the future king of England'. I got the job - most of my jobs have come from people I have known, not because I applied."

Such a responsible, public role (she looked after the Prince's finance, HR and IT offices, his commercial interests such as Duchy Originals and his charitable foundations) required her to draw on all sorts of skills. Her ACA training was invaluable: "You need to be adaptable, because the royal family's life changes very quickly. You've got to be capable - and this is where the KPMG experience stood me in good stead because you've got to be able to deal with a wide range of people. People ring you at any time for anything. And you have to be organised, which goes back to your audit training. The ACA is a hard slog but golly, does it give you a good work ethic. And discipline, prioritisation, integrity, good judgement and an understanding of technology."

Ferrar says she was humbled by what the Prince of Wales had achieved with, for example, The Prince's Trust and Accounting for Sustainability. "He's so good, and so selfless with driving these things, often before they are popular. He started The Prince's Trust to help underprivileged people with his leaving package from the Royal Navy. And from an accounting perspective, trying to make corporate entities consider their sustainability is hugely interesting. Trying to think through some of the challenges of how you bring sustainability into preparing a set of accounts without making it too arduous - I feel passionately about that. That's something the Prince of Wales taught me - to think more holistically about things."

That's not to say she isn't attuned to the complex realities of modern business life. As non executive chairman of The Risk Advisory Group she has learned just how tricky it is for smaller firms to operate across different jurisdictions. Her advice to

readers? "The thing about risk is that you need to consider it, you shouldn't not do something because it's risky. Have you assessed the risk, managed it to the extent that you can, and prepared to manage the residual risk left? That's what we do: help people mitigate their risks to a level they can accept or remove the risk entirely."

But it's not all work, work, work. As a qualified ski instructor - she took a year out at the age of 55 to train - Ferrar loves to ski regularly and has a small apartment in Austria. As she said before: she does like the twists and turns of spontaneity. ■

## CAREER IN A NUTSHELL

**2013-present** non-executive director, The Risk Advisory Group

**2013-present** non-executive director, HMRC Audit Committee

**2005-2012** treasurer to HRH The Prince of Wales

**1976-2005** roles at KPMG including lead for sales in global tax

# Technical Key developments

Our at-a-glance guide to the latest measures practitioners need to know

## AUDITING

### IAASB CONSULTS ON SFS CHANGE

The International Auditing and Assurance Standards Board (IAASB) is proposing limited changes to ISA 810, *Engagements to Report on Summary Financial Statements*, in the light of the newly published revised auditor reporting standards that address auditor reporting on general purpose financial statements.

"In the light of its overall efforts to enhance auditor reporting, the IAASB believes it is also in the public interest to provide users of summary financial statements with greater transparency in circumstances when additional information, such as key audit matters, are communicated in the related auditor's report on the audited financial statements," said IAASB chairman Arnold Schilder. "The proposed changes to ISA 810 represent a balanced approach considering the objective of an engagement to report on summary financial statements and the report that is required to be issued."

The deadline for comments is 2 November. This is in order to align the effective date of ISA 810 (Revised) with the effective date of the new and revised auditor reporting standards, which is for audits of financial statements for periods ending on or after 15 December 2016.

[iaasb.org](http://iaasb.org)

### AMENDMENTS TO ISAS

The IAASB has also released an exposure draft containing limited amendments to ISAs that are a consequence to the International Ethics Standards Board's re-exposure draft, *Responding to Non-Compliance with Laws and Regulations*.

The ethics draft proposes a framework for auditors to use in deciding how best to act in the public interest when they come across an act or suspected act of non-compliance with laws and regulations.

The majority of the amendments apply

to ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, but there are less extensive changes to seven other ISAs. The deadline for comments is 21 October.

[iaasb.org](http://iaasb.org)

### PROPOSED NORDIC STANDARD FOR SMALL ENTITY AUDITS

The Nordic Federation of Accountants has published the draft of a proposed standard for the audit of small entities (SASE). The premise is that international standards of auditing (ISAs) have become increasingly complex and difficult to tailor for an efficient audit of small entities and what is needed is a standalone standard that places the practitioner's use of professional judgement at the heart of the audit.

The draft results from consultations among a wide range of stakeholders including regulators, oversight bodies, industry, tax authorities and practitioners. Aimed at the audit of entities below the threshold for small companies in the EU Accounting Directive (two out of: annual turnover €10m, total assets €10m and 50 employees), it is based on general auditing principles and uses a risk-based approach. It differs from ISAs in that it lacks detailed application material directing auditors as to how to exercise their judgement and what to document.

Deadline for comments is 19 October. ICAEW is keen to hear members' views on this new development as soon as possible.

[revisorforeningen.no](http://revisorforeningen.no)  
[icaew.com](http://icaew.com)

### EU AUDIT DIRECTIVE AND REGULATION UPDATE

Work is continuing apace on implementation of the EU Audit Directive and Regulation. The Financial Reporting Council (FRC) is currently working with the Department of Business, Innovation and Skills (BIS), the Financial Conduct

Authority (FCA), the Prudential Regulation Authority (PRA) and professional bodies including ICAEW on areas such as the definition of a public interest entity (PIE), FRC powers and professional bodies' responsibilities.

It intends to issue a number of consultations looking at various issues, including the types of entity that fall within the legislation's scope, prohibited non-audit services to audit clients, the application of independence principles across firms' networks and the rotation of both audit firms and key audit partners.

It will take advantage of its forthcoming consultation on changes to existing auditing standards in the light of recent revisions to ISAs to propose changes to the UK Corporate Governance Code and its associated Guidance on Audit Committees.

These follow consultations announced last month by the FCA and the PRA on audit committee requirements applying to entities listed on a regulated market and to banks, building societies and insurers.

[frc.org.uk](http://frc.org.uk)

## BUSINESS

### RESTRICTIONS ON INVOICE FINANCE LIFTED

The government is changing the law to prevent businesses from using anti-invoice finance terms in contracts that prevent suppliers - and in particular small businesses - from taking advantage of invoice finance.

Many commercial customers' contracts contain terms which are designed to prevent a supplier from sub-contracting work. But these have the unintended consequence of blocking invoice finance arrangements which have become a popular way for businesses to receive money faster than if they had to wait for customers to pay up.

According to the Asset Based Finance Association, more than 44,000 businesses



receive more than £19bn of funding via invoice financing at any one time, of which some £9bn is borrowed against the value of SME invoices. The legal change, which will come into force early next year, will nullify contractual terms that seek to ban assignment of invoices but will retain a customer's right to prevent traditional sub-contracting arrangements.

[gov.uk](http://gov.uk)

### YES TO SMALL BUSINESS COMMISSIONER

ICAEW has given its backing to the idea of a small business commissioner who would be the "go-to" source of information on contract disputes and the measures small businesses should take to avoid them.

In its response to the BIS consultation paper, *A Small Business Commissioner*, it says the commissioner could act as an honest broker in disputes between small businesses and their larger peers, and signpost small firms to appropriate sources of mediation and dispute resolution.

ICAEW also believes the commissioner could play a vital role in changing and improving the culture relating to UK business payment practices. Although the problem with late payment fundamentally arises from the disparity in the negotiating power between large customers and SME suppliers, there are often issues at the small business end of the deal. "SMEs frequently do not undertake sufficient preparation and checks before negotiating sales contracts," it says. "Their practices and procedures in raising sales invoices and progressing payment with customers can contribute to the invoices being paid beyond the SME's normal terms."

[icaew.com](http://icaew.com)

### VIEWS SOUGHT ON AML RULES

The government has launched a review of the anti-money laundering and terrorist financing rules with a view to improving

their effectiveness. The move is in response to complaints from the business sector that the current guidance rules and proof of identity requirements are unnecessarily cumbersome and complicated and can adversely affect legitimate businesses.

The review will look at implementation of legislation and activity carried out under the Money Laundering Regulations 2007 by national supervisors including the FCA and HMRC. The government is keen to hear views from businesses on this and other issues including where and how supervision and enforcement is not proportionate to the risks. It would also welcome examples of good practice that helps businesses meet their obligations.

Deadline for comments is 23 October.  
[cutting-red-tape.cabinetoffice.gov.uk](http://cutting-red-tape.cabinetoffice.gov.uk)

### CRACKDOWN ON EMPLOYERS WHO FAIL TO PAY NLW

HMRC and the Department of Business, Innovation and Skills have announced a crackdown on employers who fail to pay the new National Living Wage.

A new team of HMRC compliance officers will enforce the National Living Wage and will have a number of penalties at their disposal, including increased penalties for companies not paying the National Living Wage. Similarly, anyone found guilty of not paying the new rate could be disqualified from being a company director for up to 15 years.

Announced in the Summer Budget, the National Living Wage is an extension of the National Minimum Wage. Applying to workers aged 25 and over, the new national living wage is set at £7.20 an hour; it will rise to £9 per hour by 2020.

[gov.uk](http://gov.uk)

### CMA GUIDANCE ON COMPETITION LAW RISKS

The Competition and Markets Authority (CMA) has published guidance for

accountants to help them advise clients of the importance of complying with competition law. It has created a short summary, *Competition law: Information for Accountants in Practice*, which provides an introduction to competition law and outlines where accountants can find more information on anti-competitive behaviour.

According to the CMA, businesses, particularly smaller ones, could benefit from having a stronger understanding of how competition law affects them. Its research shows that 77% of businesses do not understand competition law well. As a result many could be breaking the law unwittingly, with serious consequences - potential penalties include fines of up to 10% of global turnover for businesses and a maximum five-year jail term for individuals involved in cartels. Directors can also be disqualified for up to 15 years.

The summary also reveals the most common competition law risks and recommends steps that businesses can take to deal with them.

[gov.uk](http://gov.uk)

### COMPANIES HOUSE IMPLEMENTATION DATES FOR SBEEA

All companies will be impacted to a greater or lesser extent by the Small Business, Enterprise and Employment Act (SBEEA) 2015. Following Royal Assent in March, Companies House has now issued a schedule for implementation of measures that affect companies' filing requirements to give companies time to make the relevant changes to systems and processes.

#### ■ 26 May 2016

Share warrants to bearer (known as "bearer shares") were abolished. Any existing share warrants will need to be surrendered within nine months.

#### ■ October 2015

A number of changes will take place this

month, including partial suppression of dates of birth on the public register for directors, a reduction in the time it takes to strike a company off the register if it is not carrying on business or operation (from three to two months after publication of the first *Gazette* notice, provided no objection is received) and replacement of the consent to act as a director or secretary. Instead, for newly-appointed directors and secretaries, Companies House will add a statement to the relevant appointment and incorporation forms (paper and electronic) that the person has consented to act in their relevant capacity. Companies will be required to agree to the statement. This will replace the current consent to act procedure of providing a signature on paper forms and personal authentication on electronic filings.

■ **December 2015**

Measures to be implemented will include a simpler way to get falsely-appointed directors' details removed from the register and a new process to provide a remedy where a company is using an address for its registered office for which it never received authorisation.

■ **April 2016**

Companies will be required to keep a register of people with significant control (PSC register) from April, in preparation for the need to file this information at Companies House from 30 June 2016.

■ **June 2016**

The new requirement to 'check and confirm' the company information by filing a 'confirmation statement' will come into operation. Companies will need to notify any changes at least once every 12 months. Information also includes the PSC register.

Private companies will be able to opt to keep certain information on the

public register only, instead of statutory registers, including the registers of members, directors, secretaries, directors' residential addresses and the PSC register.

■ **October 2016**

The provision prohibiting appointment of corporate directors will be introduced. There are limited exceptions. Any company with an existing corporate director will need to take action, either to explain how it meets the conditions for an exception or to give notice to the registrar that the person has ceased to be a director.

[gov.uk](http://gov.uk)

**EMPLOYMENT LAW**  
**DISMISSAL FOR FACEBOOK**  
**COMMENTS FAIR**

The Employment Appeal Tribunal (EAT) has found in favour of an employer who dismissed an employee for posting derogatory comments about his managers on Facebook and for claiming to have been drunk while on standby.

In *British Waterways Board v Smith*, the employee was a member of a team responsible for maintaining canals and reservoirs. There was an established rota and he was required to be on standby for one week out of five, during which he was not allowed to drink alcohol.

British Waterways Board (BWB) had a clear email and internet policy which stated that any actions that might embarrass or discredit BWB were banned. These included comments posted in chat rooms or bulletin boards. BWB's disciplinary policy also stated that serious breaches of its policies constituted gross misconduct.

Smith complained to HR about two team leaders and a mediation meeting was arranged. But in response to his complaints, one team leader forwarded copies of derogatory Facebook posts

Smith had made about him and others. BWB investigated further and discovered more derogatory comments and a post where Smith claimed to have been drunk while on standby.

At the ensuing disciplinary hearing, Smith admitted to making the posts but dismissed the drunken claim as "banter". BWB found his posts to be offensive and inflammatory and sacked him. Even if his drunken claim was untrue, it said, the posting could still have damaged the board's reputation.

The Employment Tribunal said that Smith was unfairly dismissed because BWB had failed to take his clean service record into consideration and it had been aware of the posts for a while. In relation to the drunk on standby post, it accepted that some claims on Facebook are exaggerated. It also pointed out that there had been no emergency on the night Smith claimed to be drunk so there had been no risk to life or property.

The EAT disagreed. It said that the tribunal had substituted its own view for that of BWB when it held that BWB did not give weight to the mitigating factors. It had also made its own findings of fact about the drinking claim when it inferred that the incident was not a risk to others. BWB's investigation and procedures were fair, it had reasonable cause to lose confidence in Smith and the dismissal was fair.

**FINANCIAL REPORTING**  
**IASB AGENDA CONSULTATION**

The International Accounting Standards Board (IASB) is seeking views on its work plan and priorities for the next five years.

In particular, it wants to know whether the proposed agenda for its research programme covers the most important issues and whether the prioritisation of its standard-setting projects requires any adjustment.

This is the second time the IASB has

gone out to consultation over a draft agenda. It also consulted stakeholders in 2011 and feedback led to several changes to the way the IASB works, including setting up the research function.

The deadline for comments is 31 December 2015.

[ifrs.org](http://ifrs.org)

## NO TO IFRS-LITE REPORTING, SAYS ICAEW

Smaller quoted companies do not need a separate disclosure framework in order to improve the quality of their reporting, ICAEW has told the FRC.

Although applying IFRS can prove challenging for smaller entities which cannot afford the same resources as their larger listed peers, there are other ways of helping them to deal with the complexities - including bringing in accountancy firms to advise on or carry out preparation of the accounts, or appointing a non-executive with relevant financial reporting experience.

"Our impression to date," the ICAEW Financial Reporting Faculty said in its response to the FRC's discussion paper on improving the quality of reporting by smaller listed companies, "is that UK investors would not wish to see smaller quoted and AIM-listed companies moving to an IFRS-lite regime. IFRS reporting is widely understood by investors and it is generally accepted that, while not perfect, IFRS provides high-quality financial information that can be compared both domestically and internationally on a consistent basis."

The discussion paper, which was issued in June, concluded that while the quality of smaller quoted companies' reporting is "generally of a good standard", there was room for improvement. The faculty was generally supportive of the FRC's approach but warned that further work needed to be

done to ensure that the causes and effects relating to smaller listed company reporting were clearly understood. Any actions taken, it warned, needed to be proportionate and effective, especially given the diverse nature of the companies under review. "There is a risk of presenting a final set of proposals that embodies something of a 'one size fits all' approach, rather than the tailored set of proposals we think is necessary," it added.

[icaew.com](http://icaew.com)

## IASB PROPOSES IFRS 15 CLARIFICATIONS

In July, the IASB announced its decision to defer implementation of IFRS 15, *Revenue from Contracts with Customers*, until 1 January 2017, to give it more time to consult interested parties on specific amendments to the standard to clarify some of the requirements.

It has now issued an exposure draft containing the proposed clarifications to and transitional reliefs for the standard. These include explanations about identifying the performance obligations in a contract, determining whether a party involved in a transaction is the principal (responsible for providing the goods or services) or the agent (responsible for arranging for the goods or services to be provided to customers), and determining whether a licence provides the customer with a right to access or a right to use the entity's intellectual property.

The deadline for comments is 28 October 2015.

[ifrs.org](http://ifrs.org)

## TAX DOUBLE TAX RELIEF ON REMITTED INCOME

The Supreme Court has come out in favour of the taxpayer in a case involving cross-border investments. In *Anson (appellant) v HMRC Commissioners*, it had

been asked to consider the UK income tax treatment of a Delaware LLC and whether the appellant, who was a member of the LLC for seven years, was entitled to double tax relief on income he remitted to the UK from the US.

The case turned on the interpretation of article 23(2)(a) of the UK/US Double Taxation Convention 1975 and its successor, article 24(4)(a), in the 2001 Convention. The question under both provisions was whether the UK tax was "computed by reference to the same profits or income by reference to which the US tax is computed".

The LLC was classified as a partnership for US tax purposes and as a member, Anson was liable to US federal and state taxes on his share of the profits. The balance was sent to the UK where it was liable to UK income tax as "income arising from possessions outside the UK", subject to any available double taxation relief.

HMRC argued that UK tax should be charged as the income was not his but was generated by the LLC. The Supreme Court rejected this argument unanimously, stating that relief was available as both the US and UK tax had been computed by reference to the same profits.

It found that Anson was entitled to the share of the profits allocated to him, rather than receiving a transfer of profits previously vested in the LLC. "It follows that his 'income arising' in the US was his share of the profits. That is the income liable to tax under UK law, to the extent that it is remitted to the UK. Mr Anson's liability to UK tax is therefore computed by reference to the same income as was taxed in the US. Accordingly, he qualifies for double taxation relief under article 23(2)(a)."


[supremecourt.uk](http://supremecourt.uk)

To find more technical updates, visit [icaew.com/economia/technical](http://icaew.com/economia/technical)



# The productivity puzzle

Commentators may dispute the true level of productivity in the UK and how it compares to international standards, but, finds Liz Loxton, most agree that there is room for improvement

 Official figures say UK productivity is low compared to Germany, the US and other G7 economies, and according to chancellor George Osborne the UK's rate of growth since the start of the financial crisis is a cause for concern (productivity was a central theme of his Budget).

Commentators reckon the explanation lies in the peculiarities of the recession and subsequent recovery. As the credit crunch gave way to recession, Jeremiads warned prolonged hardship and even public unrest lay ahead. The privations were real and lasting enough, but the food queues did not materialise and levels of employment did not take their anticipated battering, with increased numbers in self employment and a widespread acceptance of reduced hours acting as a buffer.

Therein lies today's quandary for policymakers and businesses. Employment in the UK has exceeded pre-recession peaks in terms of hours worked and numbers of jobs, says the UK Commission for Employment and Skills. Measured against income, the picture is not quite so rosy. Per capita output remains significantly down on its pre-2008 peak and, according to the Office of Budgetary Responsibility, it won't make up lost ground until 2017.

In the final GDP and output estimates for 2013 released by the Office of National Statistics (ONS) earlier this year, for every hour worked the US produced 31% more output relative to the UK. The G7 countries, excluding the UK, were on average 17% more productive than the UK, the ONS says.

Over 2014, the picture becomes more encouraging when you look at measures such as Quality Adjusted Labour Input (QALI), which



enumerates hours worked as well as factoring in skills and experience within a workforce. ONS figures show QALI growing throughout 2014. And while labour quality, ie the composition of the workforce, fell fractionally, by the end of 2014, QALI was nearly 11% up compared to just prior to the economic downturn.

Solving the productivity puzzle is widely held to be the key to lowering government spending and improving living standards. But any "big picture" summary is of necessity an extrapolation. The Society of Motor Manufacturers and Traders, for instance, has trumpeted a 35% rise in productivity since 2010, achieving £100,000 value added per employee in 2014 compared with £74,000 in 2010. The sector leads on efficiency, says the trade body, with workforce productivity at twice the national average. Advanced production techniques result in three cars rolling off UK production lines every minute.

Arriving at a final reckoning for productivity is famously difficult. Ian

Stewart, Deloitte's chief economist, cautions that while the figures paint a fairly negative picture, we need to think about whether we can or should consider them the last word on output and competitiveness.

"Productivity is a function of two quite big numbers - GDP growth and employment," he says, "and GDP, notoriously, is often revised. We will probably find quite a lot of the shortfall in productivity is cyclical."

We might, he points out, look at the UK's ranking within the World Economic Forum Competitiveness Index, which places it ninth out of 144 economies for 2014/15, or the World Bank's *Ease of Doing Business* report for 2015, which has it as eighth out of 189 economies, for a more nuanced look at UK performance relative to other economies.

"Productivity by sector is not well documented," says Robert Russell, technical manager within the finance and management faculty at ICAEW. "Many sectors report a jump in their productivity, so where is the decline?"

ILLUSTRATION: MARIA CORTE

Another way to look at this would be to consider the UK by region. Russell points to work by the Centre for Cities published in the Faculty's *Skills and Productivity* report. Andrew Carter, CEO of the Centre for Cities, writes that in the UK there is no straight link between the size of a working population and a city's productivity levels. The interplay between size, structure and skills base is more significant. Cambridge, with a knowledge-intensive economy and proximity to London, has the highest number of patents granted per head in the UK and one of the lowest proportions of workers without formal qualifications. Places with lower skill profiles, such as Hastings, Newcastle and Stoke, score less well on productivity.

Accepting that adjusting skills and experience levels within different locations in the UK is a long-term structural issue, what can businesses do? Workers may have reduced their hours to stay in work over the recession, but there are signs that the era of cheap labour is coming to an end. Skill shortages are starting to

"Advances in technology mean everything we do is accelerating, so if we don't improve productivity, other businesses and nations will exploit our inefficiencies"

force wages up, an incentive for businesses to exact greater efficiencies from their operations.

Rob Harbron, managing economist at the Centre for Economics and Business Research, says how businesses, especially SMEs, respond will depend on the aspirations of their owners. "For the business population as a whole to achieve productivity growth, there is a need to keep up with innovation in technology," he says. "If we stay constant, we will fall behind in terms of standards of living," he says.

Serial entrepreneur Martin Leuw says business leaders need to take an approach that combines investment in productivity-enhancing technology with better engagement with workers and more efficient ways of working. Competitiveness means keeping pace with global leaders. "The singularity effect of advances in technology means that everything we do is accelerating, so if we don't improve productivity, other businesses and nations will exploit our inefficiencies," he says.

He advocates addressing poor employee engagement. "There is a strong correlation between highly-engaged and motivated employees and productivity. This is rarely about pay, much more about commitment and belief in the organisation's purpose and mission." Another area is training of middle management as leaders who inspire their teams. "Too often they are dealing with pressure from above and below and not well trained or equipped to cope with it."

And Leuw firmly believes that businesses need to invest in new systems and accurate data. "Investing in modern technology is a crucial

way to improve productivity, eliminating routine and ever more complex tasks through automation," he says. The adoption of cloud-based and SAAS approaches means that companies can upgrade their systems seamlessly. The government could do more to incentivise businesses to invest in this area, he says. But firms and operations managers have a responsibility here too. "Big data is both a challenge and massive opportunity - the tools exist to manage it and it is incumbent on businesses to improve the quality of data they hold. It never ceases to amaze me how poor data on customers and prospects slows organisations down."

Finally, working practices and cultures must move on. The way we work slows us down, he believes. "Unnecessary travel to meetings when we can Skype; long meetings with no or poor agendas and a lack of follow-up and poor email management," he says.

In a services-led economy, personal productivity is important too. The finance and management faculty's report *Skills and Productivity* includes a wealth of resources, including tips for personal productivity and online tools that will help to enhance workplace efficiency.

Perhaps we also need a degree of scepticism around the UK's real position in economic and productivity terms. As Garry Wilson, founding partner of turnaround specialist Endless, points out, Asian and US investors continue to look at UK companies with genuine interest. "What the UK gives them is flexibility and access to a good workforce," he says. ■

## EMPLOYMENT, COSTS AND WORKING PATTERNS

Between 2009 and 2014 the UK economy created **1.7m new jobs** and the unemployment rate fell from 7.7% to 5.7% of the workforce.

Meanwhile working patterns have changed. In 2014, 4.6m people were self-employed in the UK, accounting for **15%** of those in work – the highest level in the 40 years data has been collected. Self-employment has accounted for almost a third of the growth in jobs since the end of 2009.

Between 2009 and 2014, some **half a million** part-time jobs have been created.

Labour costs are set to rise. In his Budget, George Osborne increased the minimum wage to **£7.20** per hour, rising to £9 per hour from 2020.

# Steering tax conduct

The latest guidance for tax advisers reflects societal as well as technical issues, as Caroline Biebuyck finds out



One of the key changes in the latest version of the professional code for tax advisers, Professional Conduct in Relation to Taxation (PCRT), which came out in May, considers tax planning. The message is that tax professionals should not focus on technical advice, but make clients aware of other consequences to following certain actions.

“Tax advisers aren’t experts about how clients manage their reputation, but full advice should show that certain activities could have an impact on that reputation,” explains Mandy Pearson, KPMG partner and

chairman of the working group that revised the conduct code.

The section in the revised PCRT on tax planning takes members through what they need to consider as well as the decision processes to follow. For instance, when the member is the primary tax adviser, they should advise of the risks and implications of following the tax planning and only recommend a plan of action based on a balanced view of the potential risks.

There are few primary advisers of aggressive tax schemes, so firms might be more likely to introduce others’ arrangements. “As well as the

general anti avoidance rule, they now need to be aware of the promoter rules and need to satisfy themselves that the firm promoting the advice is not under a monitoring notice under the promoters of tax avoidance schemes regime,” says Matthew Hall, head of tax at Wilkins Kennedy.

Members offering a second opinion on a third party’s tax planning arrangement need to think whether they are suitably qualified to advise the client of the potential technical and reputational risks and rewards. This extends to those providing compliance services and could be a problem for smaller firms, as when they are preparing a tax return they need to make sure they have enough information to assess that the return will be made on a sustainable basis.

“If your tax return client has been introduced to an aggressive avoidance scheme by a promoter, you will want information from the promoter saying what entries are required on the return and what disclosures need to be made,” says Hall. “You will need to understand whether this is a reasonable position to take and whether you have all the information they need to do that. This could put many practitioners who haven’t got the technical support in quite a difficult situation since by their nature, schemes’ tax planning arrangements are highly complex.”

The introduction to the PCRT has a new section explaining the context of tax services. This acknowledges the changing business environment and the greater public scrutiny of corporate and individual tax affairs, together with an explanation of the hallmarks of a good tax adviser and

ILLUSTRATION: MARIA CORTE



“Tax advisers are not experts about how a client manages their reputation, but full advice should show that certain activities could have an impact on that reputation”

the scope of the guidance.

The first part then looks at the fundamental principles that tax advisers should adhere to: integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. If these principles sound familiar, they should – they are derived directly from the ICAEW’s Code of Ethics applied to tax-specific situations.

The working group decided to pull together all chapters with general application and put them into the second part of the guidance. Part 2, on tax returns and tax advice, gives you the broad principles to follow if you are providing compliance services or tax advice, says Pearson. “Read the first couple of sections, re-visit the five fundamental principles, think and take a step back, look at the situation and ask: what is the right thing to do in the circumstances? Guidance in the PCRT helps, but often you know the answer as usually the right thing to do as a professional is the right thing by your client and HMRC as well.”

The third part contains more detail on specific areas that members might not meet every day. Some of the changes reflect the measures in the Finance Act 2014 to combat tax avoidance schemes. Chapter 8 has new guidance on avoidance disclosure schemes (the DOTAS regime), follower notices, accelerated payment notices and the promoters of tax avoidance schemes. Other chapters include developments in electronic filing and cyber security, as well as situations where tax returns are not approved by the client before being submitted.

There is also new guidance about certain irregular situations. Chapter 5 introduces the situation where a court or tribunal case throws doubt on a tax return filed earlier. “The problem is that if there is a court judgement, the law is deemed to have had effect, so what do you do about something you did before the judgement?” says Peter Bickley, technical manager at ICAEW’s Tax Faculty. The guidance suggests that while members do not have to monitor every tax return and tax case, if they are aware of a potential problem then they should consider whether the decision affects their client. “If in doubt, we suggest they seek specialist advice,” adds Bickley.

It’s unlikely many tax practitioners will read the PCRT from cover to cover – but then that’s not the point, says Paul Benney, managing director at St James Consultancy. “The key in this is guidance. If a situation arises in which it’s not actually clear what you might need to do then this is the point at which you should go and look at this guidance. Any practitioner should be able to find the answers to difficult areas and how they should approach dealings with clients.”

He gives the example of the GAAR, which most small practitioners do not need to think about on a daily basis. “Sooner or later, though, something will come up and you will need to know how to tackle it. If you know there is guidance in the document you can go to it.” ■

**The PCRT can be found in the Tax Regulations Guidance and Standards section of the ICAEW website**

## THE NEXT STEP FOR TAX PROFESSIONAL STANDARDS

The first PCRT was issued in 1995 when ICAEW and the Chartered Institute of Taxation invited the other professional bodies whose members work in tax to publish a code of conduct that would work for them all. The various editions of PCRT which have followed since then form part of ICAEW’s guidance rather than rules, although members who do not comply with this code of practice could find themselves facing disciplinary proceedings.

Twenty years on, the question is whether the current regulatory position is enough. In a paper on tackling tax evasion and avoidance published in March the Treasury and HMRC asked “the regulatory bodies who police professional standards to take on a greater lead and responsibility in setting and enforcing clear professional standards around the facilitation and promotion of avoidance”.

The unspoken question is “should there be external regulation of the tax profession?” Some think this would be a good idea as it would ensure only properly-qualified professionals could provide tax services, but there are doubts about the doubling up of bureaucracy. “And who should be the regulator?” asks Peter Bickley of ICAEW’s Tax Faculty. “I don’t think HMRC wants to regulate the tax profession, but I also don’t think it would be right if it did since it runs the tax system on behalf of the government.”

KPMG’s Mandy Pearson thinks the tax system needs to be seen as working for all interested parties. “We as a profession want to have a tax system that works for the benefit of the country and its citizens. There has to be trust in the system on all sides: the clients, the professional advisers and HMRC.”

# “Open for business”

Now that the dust has settled on George Osborne’s Summer Budget, Rachel Willcox outlines the key issues facing accountants, the legislation they need to be aware of and how can they best advise their clients

**F**or the first fully Conservative Budget since November 1996, the money was on George Osborne pulling a few rabbits out of the hat as he stood up on 8 July to present this year’s Summer Budget. No longer subject to the constraints of coalition, many expected a focus on simplifying and streamlining tax rates.

But instead, the chancellor threw some curve balls, introducing more complexity despite calls for simplification and deregulation reaching a crescendo. It was hailed as a Budget for working people, but among accountants – particularly those advising small business clients – the moving goalposts have been met with a mixed response.

## DIVIDEND TAX

One of the boldest reforms to emerge will be to dividend payments. A new dividend income tax is setting out to level the playing field in the tax treatment of the self-employed and those operating through owner-managed companies. Its objective: to reduce what the government perceives to be strong incentives to incorporate businesses and extract profits by way of dividend with a lower rate of overall tax. “This is parliament saying look, the disparity has grown too much and we are doing something to narrow that,” said Bill Dodwell, head of Deloitte UK’s tax policy group.

From April 2016, the dividend tax credit will be replaced by a new annual dividend allowance of £5,000. Sums above that will be taxed at 7.5% for basic-rate taxpayers, 32.5% for higher-rate taxpayers and 38.1% for additional-rate taxpayers, replacing the current 0%, 25% and 30.56% dividend income tax rates.

At a typical incorporated business income level of £40,000, assuming that £8,000 is paid as salary (below the lower National Insurance threshold), the new policy will increase the tax bill by about £1,300. Dividend payouts from UK companies are set to spike in the first quarter of 2016, according to analyst predictions. The Treasury anticipates it will single-handedly boost public finances by £6.79bn over the next five years, including £2.5bn in 2016/17, but at a cost to the Treasury of £890m in 2019/20.

It remains to be seen whether the economics of incorporation have changed fundamentally as a result. “Before a company can bring forward dividend payments, it will need to check it has sufficient distributable profits,” says Anita Monteith, technical manager in ICAEW’s Tax Faculty.

“The biggest issue facing accountants is we need to talk to clients about the timing of distributions,” says Dermot Callinan, UK head of Private Client at KPMG, who warns of the potential cashflow and affordability implications, not to mention the impact on the balance sheet: “Even if there is an established pattern, [businesses] need to understand they may need to bring distributions forward.” In some cases, where that isn’t possible and the consequence is an increase in tax rates, it may bring forward a plan to sell the business.

Precise arrangements are still to be thrashed out with draft clauses expected to emerge by December.

## CRACKDOWN ON TAX AVOIDANCE

Significant progress was made during the last parliament to tackle tax avoidance, and the introduction last year of accelerated payment and

follower notices certainly stepped efforts up a notch. To continue that momentum, the Summer Budget included the announcement that HMRC’s evasion and avoidance unit has been boosted by £750m – split over the next five years – at a pledge to recover £7.2bn.

Osborne is planning a crackdown on wealthy UK non-doms who evade or aggressively avoid tax, following potentially significant changes to the rules currently in place.

From April 2017, anybody who has been resident in the UK for more than 15 of the past 20 tax years will be deemed to be domiciled in the UK for IHT, income tax and capital gains tax purposes. At the same time, Osborne proposed that, also from April 2017, some UK-born individuals who move abroad will be prevented from claiming non-dom status if they return to the UK, even if they remain domiciled abroad under general law.

The ICAEW Tax Faculty says the measures would appease the general public while ensuring that non-doms continue to come and spend money in the UK. “There are various consultations underway. Now is the time for practitioners to tell their clients about all the penalties and laws that apply if they have money hidden offshore,” Patrick Stevens, tax policy director at the Chartered Institute of Taxation (CioT) warns.

## CORPORATION TAX

The corporation tax rate will be reduced to a new 18% level by 2020, with a 1% interim cut in 2017.

Osborne’s message to the world that “Britain is open for business” is expected to save businesses £6.6bn by 2021 and benefit more than a million businesses. And for advisers and their clients, it will prompt conversations about the benefits of



incorporation, also for investors. "For wealthy clients, it could be that we've reached the tipping point of investing privately or corporately," Callinan says.

#### NEW LIVING WAGE

The cuts in corporation tax may offset some of the anxiety caused by the plan to introduce a new compulsory National Living Wage. Starting in April 2016 at £7.20 an hour for working people aged 25 and over, this will increase to £9 an hour by 2020. The Office for Budget Responsibility estimates the National Living Wage will cost business 1% of corporate profits and result in 60,000 fewer jobs by 2020. However, it also predicts almost a million more will have been created by that time.

The National Living Wage will have consequences which may not be compensated for by the cut in corporation tax for small companies, although suspending NIC for the first four employees will help. "If you're upping your wage bill by 10%, that could be the difference between profit and loss," says ICAEW Tax Faculty technical manager Ian Young. "It's a planning issue," Dodwell adds. "It's something we welcome but it will be a change and a cost."

"It is a shrewd political move to have a defence from taking away some of the tax credits and putting the onus back on business," Young adds. "But how that plays out will depend on how robust the British economy is." With studies suggesting that increases in the cost in labour over a long period can lead to a more effective economy, and with the UK's productivity lagging behind other economies, it could be a good thing.

#### ANNUAL INVESTMENT ALLOWANCE

The Annual Investment Allowance (AIA) is to be permanently increased to £200,000. The AIA, which offers tax relief at 100% on qualifying capital expenditure in the year of purchase, was temporarily increased to £500,000 from April.

This latest announcement marks a welcome departure from the yo-yo changes to the rate, long criticised for hampering investment with many experts believing it will be enough for the vast majority of businesses. Clive Lewis, head of enterprise at ICAEW, says the stability could kick-start the kind of investment needed to boost the UK's productivity in the medium term.

But Stevens warns that transition provisions could lead to some very

strange results. "Advisors should talk to clients about what investments in plant and machinery they are planning to make and see what would happen if you brought forward or moved back the investment."

#### INHERITANCE TAX

Married couples and civil partners can currently pass any unused amount of their £325,000 allowance on to one another. Under the new rules, each individual will from April 2017 be offered a £100,000 family home allowance (rising to £175,000 by 2020/21), which will be added to the existing £325,000 IHT threshold.

This is an extra relief available where the value of the estate is above the IHT threshold and contains a main residence, which is being passed on to "lineal descendants". For a couple, the £175,000 plus the existing £325,000, each, means total tax-free allowance for a surviving spouse or civil partner will be up to £1m in 2020/21. The allowance will be gradually withdrawn for estates worth more than £2m at a rate of £1 for every £2 over this threshold. There will be a consultation on this in September 2015, with the legislation in Finance Bill 2016.

The UK has one of the longest and most complicated tax codes in the world. IHT makes up a significant part of this but generates relatively low tax revenue. "Linking the increase in the exemption specifically to a residence in an estate is adding further complication," says Monteith. "A general increase in the IHT threshold would have been simpler."

The practical impact of changes outlined in the Summer Budget is enormous. The challenge for advisers is to give appropriate advice at a time when the moral implications of decisions are increasingly apparent. "Tax today plays out in a much more public domain than it did in the past," Young says. "But morality is not a particularly helpful thing. Advising people is all about exercising your professional judgement." ■



# Approachable Accountants: In it together

Lydia Ebdon tells Xenia Taliotis how she has gone from Big Four to tiny practice, and created a company based on mutual respect, hard work and ethical values

**L** ydia Ebdon set up her practice, Approachable Accountants, in 2010. Having had a high-powered career - including being employed by three of the Big Four on three continents and working for the Financial Services Authority (FSA), where she rewrote the prudential rules for Lloyd's of London - she felt that starting her own firm would offer an interesting challenge while enabling her to work more flexibly.

"I'd had some brilliant jobs, culminating in eight years with Norwich Union [now Aviva], where I was first head of risk management and then head of

Ebdon says she is brave by nature but nevertheless had to hold her nerve through the early days of setting up Approachable Accountants. To prepare for self-employment she did thorough research, looking at her potential client base to see what services they were most likely to need, and then making sure she'd be able to provide them.

"My partner is a farmer, which rather ties me to north Yorkshire, a relatively remote and sparsely-populated part of the country. It was obvious that tax knowledge would be important to the small local businesses who would likely form the backbone of my

"Technology means I can employ the best staff I can find, regardless of where they are in the country"

compliance and governance, with a £5bn fund attribution, and had got to the point where I couldn't see a next step up," she says. "My job at the FSA was a rare privilege - I'd led a huge strategic change that involved technical challenge and convincing initially-sceptical stakeholders - and couldn't see a better opportunity. When my project at Aviva ended, I decided to devote more time to training horses and helping good causes. Going it alone was not only the best but actually the only way of achieving that."

future work, so I had to learn tax." She buckled down, took her CTA exams and set up her own firm of chartered accountants and chartered tax advisers. With hindsight, she says she would have benefitted from a year or two in a smaller practice as all her previous experience had been with much bigger businesses and never in tax.

As she predicted, tax is a hugely important part of the job with her business pretty evenly split between limited companies, sole traders and individual clients. Most of the

## LESSONS LEARNED

- 1 Embrace technology**  
"We're using the Cloud. We wouldn't be the firm we are without it."
- 2 Think big, even if you're small**  
"Your ambitions for your firm and your clients should be big. We're tiny - just three part-time staff - yet we're an accredited two ticks employer and are the first small firm to sign up for the Access Accountancy scheme. These investments may appear disproportionate to our size, but they say a lot about our values and they help to build our brand and motivate us. And we're ambitious for our clients; we want their businesses to be the best they can be."
- 3 Be brave and be different**  
"Running your own business is a privilege, particularly if you're a woman. There is huge scope to make your practice fit your lifestyle but you have to be brave enough to be different and to stick to what you believe in."
- 4 Seek out clients who share your values**  
"You will understand each other and have a happier and better relationship built on trust and common purpose. This is particularly important in our case because the firm's registered office address is my home, so I have to be confident that I have fully vetted potential clients."
- 5 Recruit good staff and develop them**  
"Trust and openness are essential. Admittedly, there are only three of us, but this is how I mean to go on as we grow. My search for the best staff has taken me from Winchester to the Shetland Islands. Developing staff is consistent with our values and the high client service we're committed to delivering. It is also hugely rewarding - our newest recruit is keen to study for the ACA and I hope to become an ICAEW-accredited training firm in order to train him. I'd find that enormously rewarding."
- 6 Be prepared to work twice as hard for half as much**  
"I work in a rural community in north Yorkshire so my fees have to reflect that. It's fair to say you should be prepared to work twice as hard as, and earn half as much as you might expect, and that's what I tell my start-up clients. I could have got a bigger salary elsewhere but I probably wouldn't have had the freedom to learn as much."

## KEYS TO SUCCESS

**Be true to your values**

"Working ethically underpins everything I do. This means being completely honest with staff and clients and ensuring everyone does the best job they can. Giving back is also essential – I give regular talks to school children and we're also doing a lot in India, developing a relationship with an accountancy practice we hope to outsource to. We're helping to build a school science lab there and we're also putting a girl through sixth form. We're very public about our principles, and this has brought enquiries from clients we want to work with."

**Keep your clients at the top of your mind**

"Respect, engage with, listen to and discuss their needs. Meet them face-to-face if you can. We work remotely but if we pick up on any anxieties we offer to visit our clients."

**Be agile** "Evolve, evolve, evolve. My business model is a living thing; technology is changing how we work with clients, and I'm reinventing our model to anticipate new systems and processes."

**Make time to think**

"Sometimes you need to step back. I make a point of having thinking time for work issues, often when I'm out running or cleaning out the horses' stables. It helps me see things clearly."

**Get a breadth of experience**

"Be receptive to learning and channel your knowledge into your work. Diverse experience can help you build a sustainable practice that remains relevant. I've gained enormous insights from my voluntary roles."

people she works with run small businesses with fewer than 20 staff, and have diverse interests including catering, hospitality, property and engineering. She also has individual clients who need advice on how to make their savings and investments more tax efficient.

The practice is expanding slowly and carefully. Ebdon now has 60 clients, up from 45 last year, and has recently taken on a third member for her team. She and her staff do flexible hours and work remotely through Cloud technology.

"Technology is a great enabler," she says. "When my systems went into the Cloud, it gave me the opportunity to take on staff without the tie or overheads of premises. It also means I can employ the best staff I can find, regardless of where they are in the country. We work closely as a team with shared files in the Cloud, using phone, screen shares and emails to communicate with each other and with clients. Employing my own staff means I can build a strong team with clear, shared values, which is critical in providing high-quality, efficient client service."

Ebdon vets everyone she works with – staff and clients – before taking them on: "Approachable Accountants is an ethical, principled business that cares about people, society and the environment and my clients and staff have to appreciate that or our

relationship won't prosper." She has a checklist she runs through when she first meets clients: "I ask myself if the job is within our competence; if my client's income is explicable – if they're telling me they earn just £20,000 per year but their cars and homes suggest otherwise, then I'll dig deeper; and if we can progress in a spirit of togetherness." Only once she's satisfied on all three scores will she commit herself.

She believes passionately in giving back and is generous with her company's money – she donates 10% of profits to charity – and with her time, giving frequent talks through the Speakers for Schools charity, teaching Explore Enterprise for the Prince's Trust and supporting ICAEW's BASE business game. She is also on the ICAEW council.

Approachable Accountants is the first small firm to sign up for the Access Accountancy scheme, which helps disadvantaged youngsters enter the profession by offering them work experience. "A huge advantage of running my own firm is being able to do something to improve the lives of others," she says. "I am passionate about education for all – education is a powerful lever for social mobility and a vital contributor to building sustainable, fair and cohesive societies. We can train staff and help educate others. I can't think of a better legacy for me or my firm." ■

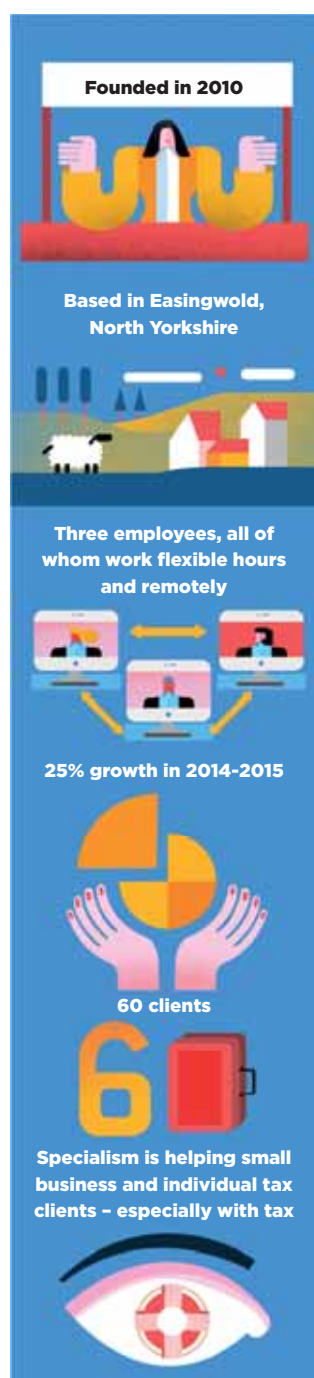


ILLUSTRATION: MARIA CORTE

## BUILDING RELATIONSHIPS

# How to network

**A**s Jeanette Purcell, author of *No Nonsense Networking* and founder of The Brain Exchange, wrote in the September issue of *Finance and Management* magazine, business networking gets a bad press and many people remain sceptical about the value of networking to their business. Others see it as an activity enjoyed only by self-publicists.

The reality, she says, is that when approached with the right mentality and handled skilfully, networking will help to advance your career and have a positive impact on your business. And anyone can be a great networker: the experience can be enjoyable and rewarding.

So here are her six steps to improve your networking skills and help you to build successful business networks.

- **Start with the right attitude.** Negative attitudes stem from a misconception. Successful networking is not about attending receptions in the vain hope of meeting new clients, nor is it about schmoozing or pretending to be someone you are not. A more positive way of defining networking is “the process of building reciprocal business relationships with people you like, admire and trust.”

- **Prepare your pitch.** How many times have you fluffed your response to the question “What do you do?”, thereby failing to present yourself and your business in a positive light? Write a good, short pitch – sometimes called an elevator pitch – and you will always have a pithy and engaging way of introducing yourself.

- **Manage your existing networks.** Trying to meet new people from scratch is difficult, whereas asking people you know to introduce you to their contacts is relatively easy. Have a good look at the network you have, think about how they can help you and whether they can introduce you to someone you’d like to meet.

- **Prepare well.** Whether you are attending a meeting or simply having a coffee with someone new, good preparation will help you get the most out of the experience. Be clear about what you want to get out of the meeting, and prepare to achieve that objective. Research the people you will be meeting. Prepare some questions that will demonstrate your interest in others. Review and practise your pitch.

- **Improve your networking techniques.** Arrive early to familiarise yourself with the set up, meet the organisers and introduce yourself to people as they arrive. Have your business cards and a pen handy. To join a new group, simply approach with a confident smile and ask: “May I join you?” And Focus on the quality of your conversations, not the quantity.

- **Maintain and nurture relationships.** If you have met someone at an event and would like to know them better, it is your responsibility to take things forward. ■

For the full feature, see the September issue of *Finance & Management* magazine, which is available online at [icaew.com](http://icaew.com)

# Business clinic

Ethical dilemmas come in many forms and can be complex to unravel. What would you do about improper accounting for sales?

**Y**ou are one of three partners in a firm of accountants. Five years ago the firm was appointed as external accountants to a young, successful and fast-growing company, engaged to prepare year-end accounts and tax returns. The business had started trading with a handful of employees but now has a workforce of 200, while still remaining below the size of company requiring a statutory audit.

Due to your close relationship with the directors of the company (who are its owners) and several of its staff, you become aware that staff purchases of goods manufactured by the company are authorised by production managers, and then processed outside the accounting system. The proceeds from these sales are used to fund the firm’s Christmas party.

## WHAT ARE THE KEY FUNDAMENTAL PRINCIPLES?

**Integrity:** Would omitting income from staff sales result in the financial statements and returns to the tax authority misleading? Is the practice dishonest, and what should be your involvement?

**Objectivity:** In view of the trust that has built up between you and your client, and the threat brought about by the familiarity you have with the directors and staff of the company, how will you maintain your objectivity when deciding what action to take?

**Professional competence and due care:** You must ensure that the financial information that you produce on behalf of your client is in accordance with technical and professional standards.

**Professional behaviour:** How should you act in order to protect your reputation and that of your firm and profession?

## WHAT WOULD YOU DO?

Having brought the issue to the attention of your partners, and obtained the relevant details of the client’s system for accounting for staff sales, CCAB (the UK and Ireland’s Consultative Committee of Accountancy Bodies) suggests this: Raise your concerns with the directors of the client company. Determine whether the financial statements of previous years are likely to be misleading and, if so, consider your responsibility (or that of your client) to inform the relevant authorities (including the tax authority).

You should explain to the directors the implications of their actions, and that you are safeguarding the interests of the company and its staff in advising how the situation may be rectified. At any time you can seek advice from ICAEW.

What else could you do? ■

What kinds of issues do you wrestle with as a chartered accountant? If you are faced with an ethical dilemma and would like the advice of your peers or an ICAEW expert, please get in touch and we will explore the issue here: [economia@icaew.com](mailto:economia@icaew.com)



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# Disciplinary listings

These reports are summaries. Further information is available from [icaew.com/publichearings](http://icaew.com/publichearings) or from the Professional Conduct Department, ICAEW, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ

## DISCIPLINARY COMMITTEE TRIBUNAL ORDERS

● Alan Long, 1 Castle Street, Kirkwall, Orkney KW15 1HD  
**Complaint** In January 2013 he agreed to the withdrawal of funds totalling £1,460.29 from his firm's client bank account in breach of regulation 20, Clients' Money Regulations (CMR), and between January 2010 and February 2013, he failed to comply with regulation 22, CM regulations because monies were withdrawn from the client bank account towards the payment of fees even though 30 days had not elapsed since the date of delivery to the client of a statement of fees.  
**Order** Severe reprimand, £4,000 fine, £3,999 costs.  
● Jack Gold, 4 Chartley Avenue, Stanmore, Middlesex HA7 3QZ  
**Complaint** He failed to co-operate with ICAEW in carrying out its functions under the Practice Assurance Scheme, contrary to regulation 4 of the Practice Assurance Regulations (PAR) in that he wrote to ICAEW in March 2014 stating that he would not permit a QAD visit to go ahead in May 2014 or on any other date.  
**Order** Severe reprimand, £5,750 fine, £3,524 costs.  
● Roy Crosby, 20 Norgetts Lane, Melbourne, Royston SG8 6HS  
**Complaint** Following a QAD visit in September 2005, he confirmed that he would issue new letters of engagement to all clients over the next six months as client contact occurred, and undertake an overall review of limited company accounts, but seven years later he still had not done so. He also failed to cooperate with the practice assurance committee in breach of regulation 4, PAR, as he failed to

comply with a written request to arrange an external practice assurance review of his firm's compliance with the PAR.

**Order** Reprimand, £2,000 fine, £3,000 costs.

● Nicholas Ibbotson, 66 Jordan Road, Four Oaks, Sutton Coldfield, West Midlands B75 5AD

**Complaint** He demonstrated by his behaviour that he was unfit to be a director of a company and he gave an undertaking under the Company Directors' Disqualification Act 1986 not to act as a director for seven years from November 2013.

**Order** Exclusion, £5,000 costs.

## INVESTIGATION COMMITTEE CONSENT ORDERS

● Charles Fenton, The Old Rectory, Kirby Underdale, York YO41 1QY

**Complaint** Between March 2007 and September 2014, he allowed his firm to use the description "chartered accountant" when one of the partners did not hold general affiliate status in breach of regulation 6 of the Regulations governing the use of the description and general affiliates and principal byelaw 55.

**Order** Reprimand, £1,150 fine, £1,105 costs.

● Bishop Fleming LLP, Stratus House, Emperor Way, Exeter Business Park, Exeter EX1 3QS

**Complaint** On two occasions lasting several months during 2013 and 2014, the firm failed to comply with regulation 13, CMR as it held more than £10,000 for clients for more than 30 days and did not pay the funds into a designated client bank account. Between March 2013 and January 2015 it also failed to comply with regulation 9(b)(ii), CMR as it had failed to obtain in writing from the bank confirmation that interest earned on client money bank accounts should be credited to that account.

**Order** Reprimand, £4,000 fine, £1,268 costs.

● Richard Jones, 115 Alexandra Park Road, London N10 2DP

**Complaint** On behalf of his firm, he issued audit reports on the financial statements of seven clients in breach of audit regulation 3.08, because the audits were not conducted in accordance with international auditing standards. He failed to plan the audit so it would be performed in an effective manner in breach of ISA 300, Planning an Audit of Financial Statements; he failed to prepare audit documentation that provided a sufficient and appropriate record of the basis for the auditor's reports, contrary to ISA 230, Audit Documentation (revised); and he failed to obtain sufficient appropriate audit evidence in order to draw reasonable conclusions on which to base the audit opinions, in breach of ISA 500, Audit Evidence.

**Order** Reprimand, £2,500 fine, £4,337 costs.

● John Handley, 1 The Courtyard, Chalvington, Hailsham, East Sussex BN27 3TD

**Complaint** He engaged in public practice through various firms between July 2011 and August 2013 without qualifying insurance of professional indemnity insurance (PII) as required by regulation 3.1, Professional Indemnity Insurance Regulations (PIIR). He also made four assurances following a QAD visit in 2012 which he still had not complied with two years later and he inaccurately completed annual returns for 2012 and 2013 in which he stated that he had conducted an annual review of his firm's compliance with the DPB Handbook when he had not.

**Order** Severe reprimand, £4,000 fine, £2,830 costs.

● Peter Seaman, 32 Offley Road, Sandbach, Cheshire CW11 1GY

**Complaint** He prepared financial statements for a client for the years 2009, 2010 and 2012 which he knew were materially incorrect because he did not include accumulated interest of more than

£50,000 on a loan owed to a director of the company.

**Order** Reprimand, £3,250 fine and £2,605 costs.

● Alan Charles, 32 Coleraine Road, London N8 0QL

**Complaint** Between May 2009 and May 2014, he received client monies on behalf of his firm in the form of tax refunds amounting to £39,005.44, which were paid into the office account of another company rather than a client back account contrary to regulation 10, CMR.

**Order** Reprimand, £2,000, £1,425 costs.

● Michael Kirkby, Antrobus House, 18 College Street, Petersfield, Hampshire GU31 4AD

**Complaint** He was in breach of the CMR when he failed to obtain a letter from the bank confirming the trust status of his firm's client bank accounts (regulation 9b), when he failed to document – at least every five weeks – reconciliations of his firm's client bank accounts with the total corresponding credit balances in respect of clients (regulation 25), and when he withdrew various amounts from the Barclays designated client bank accounts which were greater than the credit balances held for the clients (regulation 21). Furthermore, between December 2008 and December 2012, he failed to comply with an assurance he gave following a QAD visit that he would amend his letterhead to remove the reference to his personally being a registered auditor.

**Order** Severe reprimand, £6,500 fine, £2,193.

● Stewart, Fletcher and Barrett, Manor Court chambers, Townsend Drive Nuneaton, Warwickshire CV11 6RU

**Complaint** The firm incorrectly issued an accountant's report in respect of a client's 2012 financial statements because the company did not meet the conditions for exemption from audit as it did not qualify as a small company under

s382, Companies Act 2006.

**Order** Reprimand, £1,000 fine, £1,517 costs.

● Henn & Westwood, Rumbow House, Rumbow, Halesowen B63 3HU

**Complaint** Between 2008 and March 2013, the firm failed to carry out cold file reviews contrary to audit regulation 3.20 which requires a firm to monitor at least annually how effectively it is complying with the audit regulations.

**Order** Severe reprimand, £6,350 fine, £918 costs.

● Erick Lockey, Rumbow House, Rumbow, Halesowen B63 3HU

**Complaint** He inaccurately completed his firm's 2009, 2010 and 2011 annual returns when he confirmed that an audit compliance review had been carried out and that a record of it had been retained showing the work done and the results, and that it had included whole firm procedures, cold file reviews (2009 and 2010 only) and a thorough check on any follow-up actions arising from the previous audit compliance review, when this was not the case. The 2012 annual return was inaccurate because he confirmed that the audit compliance review included a thorough check on any follow-up actions arising from the previous review, when it was not the case. The 2011, 2012 and 2013 returns were also inaccurate because he stated that each year two audit files would be sent for cold file review but he failed to ensure that the reviews took place.

**Order** Severe reprimand, £5,000 fine, £1,655 costs.

● Hugh Williams, Court House, The Crescent, Crapstone, Yelverton, Devon PL20 7PS

**Complaint** Following a QAD visit in May 2010, he confirmed a number of actions relating to information about new clients which, three years later, a further QAD visit discovered he still had not done. In 2010, he had also confirmed that, in respect of

payroll payments made from a client account, a principal would approve the actual payments to the client's employees, yet subsequently it became clear that this had not always happened. He was also found to have failed to address the requirements of the Services Directive which he had also confirmed he would do.

**Order** Severe reprimand, £5,175 fine, £1,880 costs.

● Sukhdev Singh Sagoo, 122 High Street, Acton, London W3 6QX

**Complaint** He issued an accountant's report on a client's 2013 financial statements when these had not been properly prepared since the comparative figures were not the same as the figures in the 2012 accounts filed at Companies House.

**Order** Reprimand, £3,250 fine, £1,730 costs.

#### APPEAL COMMITTEE PANEL ORDERS

● Nasratul Ameen, PO Box 19962, London N3 1ZHD

**Appeal** He wished to withdraw his admission to a disciplinary committee tribunal (DCT) that between January 2011 and April 2013, he had engaged in public practice without holding a practising certificate contrary to principal byelaw 51(a).

**Order** The appeal was rejected, the DCT's sanction of a reprimand, £750 fine and £4,000 costs were upheld and he was ordered to pay further costs of £6,500.

#### AUDIT REGISTRATION COMMITTEE ORDERS

● Ensors, Platinum Building, St Johns Innovation Park, Cowley Road, Cambridge CB4 0DS

**Breach** The firm admitted breach of audit regulation 3.01, because individuals in a position to influence the conduct and outcome of the audit were directors and shareholders of a trustee company that held shares in three audit clients that were material to the trust.

**Order** A regulatory penalty of £16,650.

● Zaidi & Co, Amen Corner, 241 Mitcham Road, London SW17 9JQ

**Breach** The firm admitted breach of audit regulation 4.04 for allowing audit reports to be signed by a principal within the firm who was not, at the time, properly appointed as a responsible individual.

**Order** A regulatory penalty of £6,350.

● Wilkins Kennedy FKC Ltd, Stourside Place, Station Road, Ashford, Kent TN23 1PP

**Breach** The firm admitted breach of audit regulation 3.01 because a person in a position to influence the conduct and outcome of the audit acted as trustee of a trust that held a financial interest in an audit client that was material to the trust.

**Order** A regulatory penalty of £4,500.

● Sheen Stickland LLP, 4 High St, Alton, Hampshire GU34 1BU

**Breach** The firm failed to ensure a principal, appointed in 2011, had appropriate affiliate status. It also failed to notify ICAEW within 10 working days of the appointment of a new principal and to properly disclose details of its principals in the firm's annual returns for 2011-2014.

**Order** A regulatory penalty of £6,889.

● Rawlinsons, Regus House, 1200 Century Way, Thorpe Park, Leeds LS15 8ZA

**Breach** The firm failed to obtain an external hot file review in breach of a condition and a restriction under audit regulation 7.01.

**Order** A regulatory penalty of £12,000.

● Guy Walmsley Ltd, 3 Grove Road, Wrexham LL11 1DY

**Breach** The firm admitted breach of audit regulations 2.03a, 2.11d and 6.06 because it had failed to ensure a director, appointed in 2012, had audit affiliate status and it had completed its 2013 and 2014 annual returns inaccurately.

**Order** A regulatory penalty of £5,000.

● Aspen Waite Ltd, Rubis House, 15 Friarn Street, Bridgwater, Somerset TA6 3LH

**Breach** The firm admitted breach of audit regulation 3.11 for failing to keep audit working papers for two companies for a period of at least six years.

**Order** A regulatory penalty of £1,000.

● Backhouse Yong Partnership, Pilgrim's Cottage, Wicken Bonhunt, Essex CB11 3UL

**Breach** The firm admitted breach of audit regulation 3.20 for failing between 2012 and 2015 to monitor on an annual basis how effectively it was complying with the audit regulations.

**Order** Regulatory penalty of £500.

#### INVESTMENT BUSINESS COMMITTEE ORDER

● Bennett & Co, 16 Upland Road, Dulwich, London SE22 9GG

**Breach** The firm failed to comply with the requirements of the Designated Professional Body (DPB) regulations.

**Order** The firm's DPB licence was withdrawn.

#### REVIEW COMMITTEE

● Bostocks Boyce Welch Ltd, The Counting House, Tower Buildings, Wade House Road, Shelf, Halifax, West Yorkshire HX3 7PB

**Application** A review committee panel met at Chartered Accountants' Hall to hear an application by the firm for a review of the Audit Registration Committee's decision dated 8 October 2014 to withdraw the firm's audit registration.

**Decision** The panel withdrew the audit registration under audit regulation 7.03(h) and ordered the firm to pay £4,049 costs.

**Members facing disciplinary proceedings who need help and support can call ICAEW's Support Members scheme in confidence on 0800 917 3526**



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# Life

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reviews/food/people

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GALLERY STOCK

this month:

## time

**Watches** How British watchmaking is having a renaissance, plus six of the best new pieces **Reviews/previews** Drinking in Mexico City, Bond's back, autumn fashion and the *Vogue* exhibition at the National Gallery **Restaurants** ...where time stands still **Life after work** Martin Cooke



## THE LOW-COST LOCAL

**Name:** Lewis Heath

**Company:** Paulin

**Location:** Glasgow

The Paulin pitch is aesthetically appealing, minimalist watches at affordable prices. For co-founder Lewis Heath, a brand's location matters and he'd like his watches made in Glasgow with British-made components, but there's no point if the product ends up too expensive.

For the time being this means Swiss-made quartz movements, although the company is exploring an affordable mechanical watch. Paulin, formed by four friends from art college, launched its first watch a year ago and quickly decided the retailer margins made direct sales the best route. The business is on the verge of establishing its first shop.

"We were driven to do this by the challenge of making a watch in the UK," says Heath. "My background is high-volume consumer electronics. But we didn't want our watches to be bought just for patriotic or sentimental reasons. We needed to be able to be competitive. My interest is at the end of the market where you drive volume and make it economical to make components here."

Detroit-based company Shinola was an inspiration: "First it set out to assemble in Detroit, with imported components. Then it started to build up to having a US-made watch."

"We spent four years from concept to launch. But we've been making moves to differentiate ourselves. Our competitors make things in China using cheaper components. Our packaging costs more than our competitors' watches."

Heath is scathing of the hypocrisy across the industry. "Most Swiss watches are made in China and finished in Switzerland. I wouldn't badge a watch 'Made in Britain' until it was. I'd like a watch made here at an affordable price with a mechanical movement. That would be a nice watch to market."

## About time

Despite an impressive heritage, British watchmaking has been in the doldrums. But a new generation are bringing it back to life. Richard Cree reports

The list of industries Britain "used to be great at" is a long one. But watchmaking should be near the top. Despite a heritage involving most of the major discoveries and inventions in watchmaking, the UK industry went into decline in the 20th century as Switzerland took control. Even that seemingly most Swiss of brands, Rolex, was originally founded in London. But after decades of steady decline, a new-look British watch industry is bouncing back.

A new generation of marketers have spotted the opportunity to sell British watchmaking history and play to the strengths and reputation of British luxury goods around the world.

But after years of merely servicing and repairing watches, the skills, machinery and infrastructure to build watches is no longer here. How British can these new watch companies be? And what does "made in Britain" really mean? It's a topic that gets many within the watch community quite heated.

Piers Berry, co-founder of Pinion, reckons: "The British label is being used as an excuse to market sub-standard goods to gullible consumers." So, who are the people behind this revival?



From top: Paulin's C200a, and the company's watchmaking machinery





Above: Detail from the Schofield Blacklamp back.  
Right: The new carbon fibre used in Schofield Watch Company timepieces, inspired by the extreme folding in the cliffs at Millook Haven in Cornwall (below)



## THE ECCENTRIC ENTHUSIAST

**Name:** Giles Ellis

**Company:** Schofield Watch Company

**Location:** Sussex

There is something ineffably British about Schofield founder Giles Ellis. He has the intensity and eccentricity of an amateur engineer. A designer by trade, he spent a decade building websites, all the while tinkering with musical instruments, mountain bike parts and hi-fis. "I got to be the owner of Schofield Watch Company through passionate enthusiasm," he admits. "I wanted a nice watch and couldn't afford it. If I can't afford something, I try and make it. So I set about designing a watch."

The design (which took four years) and the business model are equally well considered, but

Ellis reckons the business has evolved. "I thought it was about the product. But it was about the brand and the story."

And that story features British roots. From a rural location in Sussex,

Ellis has used the British coast as inspiration and his watches are named after lighthouses. "You need to have an association consumers understand. We're from the coast and we developed that theme."

But Britishness isn't seen as a badge of honour. "It's neutral. Britain was a global power in watchmaking, but that fell away. We don't have the infrastructure."

Some Schofield watches use a material developed in association with a British Formula 1 team. "We worked for 18 months to develop a new carbon fibre. It's a material we call Morta," explains Ellis.

These are British watches, he says. "We say Made in England when we feel it really is, as much as a watch can be. Too many people think it's a great thing to make a British watch, and they jump on it. Next year we hope to expand and start in-house watchmaking."



### THE MASTER CRAFTSMAN

**Name:** Roger Smith  
**Company:** RW Smith  
**Location:** Isle of Man

Roger Smith is the sort of skilled artisan most of us picture when we think of watchmakers. He was apprenticed to George Daniels, widely regarded as one of the greatest watchmakers of the 20th century. Like Daniels, Smith's company makes all but a handful of 160 components in his watches by hand. A seven-strong team produces 10 watches a year.

Smith says: "The way we build watches is key. I use the approach that started with George Daniels, when he made his very first pocket watch. That someone could design and make beautiful and technically brilliant watches captured my imagination. Watches are a potentially huge source of revenue and Britain is good at luxury products and brands. It will take decades, but I've no doubt in time it could return."

This will require considerable investment in skills and machinery. But, adds Smith, honesty is even more important. "We need our own identity. But first we have to be honest. Where people are importing Swiss movements, they have to be honest. There's no shame in it. We've done it for hundreds of years."



Top and above: Intricate watch design by RW Smith. Below: Pinion's 1969 Revival



### THE RELUCTANT BRIT

**Name:** Piers Berry  
**Company:** Pinion Watches  
**Location:** Oxford

Piers Berry launched Pinion because of a passion for watches. While some of Pinion's branding is wrapped up in geography ("Made in Switzerland, raised in England" is one slogan), Berry is cynical about the trend for marketing this heritage. "It's less about our watches being made in England, more about people buying Pinion because they like the design and want something only a few people have."

Berry adds the British tag is in danger. "There is a cheesy Britishness with Union Jacks and that tailored, Savile Row appeal. We want Pinion to be geographically neutral. A Pinion watch could be from Japan or Switzerland. It shouldn't be wrapped in a British flag. We're a company that just happens to be based here. My remit is to make the best product I can for the money."

Pinion does have ambitions to make a movement. "There will be a Pinion movement, but not in-house. We design, conceptualise and assemble." One of Pinion's best watches is the 1969 Revival. Described as "new vintage" the company got movements made in 1969 but never opened or assembled.

"If we were in Australia, no one would care. Because British watchmaking has a heritage there's this expectation you either do it properly or you don't bother. But there's no right and wrong way to do it. Someone will buy your watch and they'll enjoy and wear it and that's all that matters."

## THE DIGITAL DISRUPTERS

**Name:** Christopher Ward, Mike France and Peter Ellis

**Company:** Christopher Ward

**Location:** Maidenhead

Christopher Ward was set up to disrupt the watch industry. Since it first launched, its products have got more complicated and expensive. But its most complicated (and expensive) watch to date - the C9 Single Pusher Chronograph - is, according to co-founder Mike France, its best value watch.

The company launched with a digital-only, word-of-mouth sales model that turned the existing Swiss model upside down. The company still sells direct, rejecting the margin-heavy retail and marketing approach still favoured by traditional watch brands.

France is clear being British wasn't part of the disruption. "The fact we're British meant the company would be here, but it wasn't top of mind at launch. Our approach is about debunking some of the myths and costs associated with watches."

He says the company has benefitted from the openness of the internet age. "Huge swathes of people are interested in horology and they are better informed than ever. That spreads virally on forums and blogs. When people start posting on watch forums you can't hide."

But there is a Britishness to Christopher Ward, as France admits. "The designs come from here and we incline towards British narratives and a British aesthetic. Hence the C8 flyer, which refers to the Spitfire and the wind tunnel at Farnborough."

Below: Christopher Ward.  
Bottom: A wind turbine  
provided inspiration. Right  
Bremont craftsmanship



## THE HIGH FLYERS

**Name:** Nick and Giles English

**Company:** Bremont

**Location:** Henley

Bremont is currently both hero and villain in the British watch industry. In a sector that loves a feud, with more expert bloggers and forums than celebrity gossip, some applaud the gusto with which it has embraced high-volume luxury watchmaking in Britain. Others baulk at some of its claims.

Bremont was founded by Nick and Giles English, who were inspired after their father was killed in a plane crash, which Nick survived. The brothers took it as a wake-up call to do something they loved.

"Our father was in the RAF and Nick and I were sponsored through university by the RAF," says Giles. "We've flown since we were in nappies. And there is a close association between watches and aviation. Time means a lot when you are flying."

Giles explains Bremont is doing more than most to bring high-volume, high-quality watchmaking to the UK. "Our watches used to say 'Swiss Made'. But we brought assembly to the UK and invested in training for assembly and watchmaking. We've also invested in machinery. We machine cases and movement components here. We've invested millions to build watches here and we are proud of what we're doing."

This investment allows Bremont to compete with the Swiss. "All our machines are custom-built in Switzerland and our guys train there. But we're bringing skills back to the UK. Our challenge was to stay at our price point, not to bring it back to the UK and have to whack prices up."

Giles admits it will be tough to take this UK watch business and build a global brand, while also resurrecting skills that have been lost. "It keeps us awake, but it is exciting."



## Ones to watch

Six modern classics setting the standard

01



02



03



04



06



05



- 01. Bremont Wright Flyer Limited Edition £17,950
- 02. Schofield Blacklamp £9,900
- 03. Paulin Chronograph Navy and Rose Gold £195
- 04. Pinion 1969 Revival £4,950
- 05. RW Smith Series 2 £100,000
- 06. Christopher Ward C8 Flyer Collection £599



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## FASHION



Launched in Spring 2015 by former ASOS fashion director Caren Downie, former ASOS head buyer Rachel Morgans and former Topshop chief designer Emma Farrow, the **Finery London** label has heavyweight high street credentials. Its vision for its online offering is clear: affordable, fashion-forward workwear at accessible prices. The autumn/winter collection is no different - fine knits, structured midi-skirts and tailored trousers starting from as little as £20. [finerylondon.com](http://finerylondon.com)

## FILM



*The Telegraph's* Robbie Collin describes the new **Macbeth** film starring Michael Fassbender as "cosmically powerful". Out on **2 October**

## MUSEUMS



The **Metropolitan Police Crime Museum** opens crime artifacts and case-files for public view for the first time in an exhibition at the Museum of London. From Dr Crippen to the Krays, the Great Train Robbery to the Millennium Dome diamond heist, the exhibition will look at the changing nature of crime and police work over the last 140 years. Opens 9 October, adults from £10. [museumoflondon.org.uk](http://museumoflondon.org.uk)

## CARS



**Aston Martin** has released a limited edition DB9 GT to celebrate 50 years of its association with 007. It features "Spectre silver" paint, sterling silver Aston Martin badges and "discreet" 007 Bond Edition exterior badges. **£165,000**

## YACHT



**La Sultana**, one of the last remaining Soviet spy ships of its type, has been reborn as an elegant leisure vessel with berths for up to 12 guests. Charter from €225,000 (£165,000) per week + VAT + Advance Provisioning Allowance (APA) from winter 2015. [lasultanayacht.com](http://lasultanayacht.com)





**Linda Evangelista** by Patrick Demarchelier, 1991

#### LOOKING AHEAD

**The National Gallery** will celebrate 100 years of *Vogue* magazine in its major spring exhibition next year. With iconic images from the title's archives this display will appeal to anyone interested in photography, fashion and fame. It includes work by photographers including Cecil

Beaton, Lee Miller, Mario Testino and David Bailey. Tickets are on sale now.

**11 February – 22 May 2016**  
[npg.org.uk](http://npg.org.uk)

#### ART



**The Dominique Levy Gallery** in Bond Street will host the first exhibition of Gerhard Richter's Colour Chart paintings since 1966, celebrating 50 years since Richter's seminal collection.

**Opens 13 October**

#### Where to drink in...

#### MEXICO CITY



**1. La Terraza at Condesa DF**  
An art deco hotel in the heart of the trendy Condesa area. The views are stunning, and it's a fun, casual place to have a Margarita and a burger.  
[condesadf.com](http://condesadf.com)



**2. Biergarten** Mexico City has jumped aboard the craft-beer bandwagon, and this bar serves it in a cool and modern environment. There's table football and an open terrace. On top of the Mercado Roma.  
[biergartenroma.com](http://biergartenroma.com)



**3. La Nueva Opera** With a bullet in the ceiling put there by revolutionary General Pancho Villa this is probably the most famous bar in Mexico, and one of the few reliable ones downtown.  
[barlaopera.com](http://barlaopera.com)

#### FILM



**Daniel Craig** dons his dinner jacket once more as 007. *Spectre* sees Bond travel from Mexico City to Rome this time. Accompanied by the brilliant Christoph Waltz and Monica Bellucci and a theme tune by Sam Smith.  
**Out 26 October**

#### TRAVEL



Opening in late 2015, **Anantara Peace Haven Tangalle Resort** promises to be the epitome of a tropical paradise. Set on Sri Lanka's relatively undiscovered south coast, the 152 rooms are furnished with traditional vibrant weaves, and individual villas come with their own plunge pools and private dining.  
[anantara.com](http://anantara.com)

#### FASHION



Look good in the rain

**Autumn** is officially here. But fear not, Jamie Milestone's London Undercover umbrella brand will inject some colour into your dreary day with his playful and stylish designs. The umbrellas are made using traditional methods, but the patterns - which include camouflage and map prints - are anything but. Built to last, practical and stylish. Prices start from £60.

**[londonundercover.co.uk](http://londonundercover.co.uk)**



## Restaurants

**Dining destinations that time forgot**

*Because, as Neil Davey discovers, "old fashioned" need not be a derogatory term...*



**Breakfast**  
**The Grand Hotel,**  
**Eastbourne**  
[grandeastbourne.com](http://grandeastbourne.com)

At The Grand Eastbourne, service is almost invisible, the décor is old school (and immaculately maintained) and the food is exactly what you need after a walk on the seafront outside. Breakfast is hearty good value, and a great mix of tradition – Manx kippers – and international: the Mediteria, with pancetta, smoked morcilla and chorizo is terrific.

**Oslo Court, St John's Wood, London**  
[oslocourtrestaurant.co.uk](http://oslocourtrestaurant.co.uk)

Oslo Court is testament to that old adage about "if it ain't broke..." It's not just time that's left the place untouched. Modern food trends are notable by their absence. Most of the staff have been doing their immensely professional thing here for decades. Best of all, inflation doesn't seem to have caught up with them yet, either.

The restaurant is set in a mansion block just north of Regent's Park, and you can tell

first-timers by their baffled looks when they find themselves directed into the ground floor flat. This opens out into the pinkest room where you're not so much fawned over as mollycoddled. By the time your crudités arrive, you'll feel like an old friend. By the time you order – after hearing the lengthy "daily" specials (which appear to be similar every time I've visited) – you'll feel like family.

This is a place of five soups: watercress, asparagus, minestrone, onion or lobster bisque

(all served at the table from a tureen). Of coquille St Jacques, melon with parma ham, pink grapefruit grilled with brown sugar and sherry. Of Dover sole, steak Diane, chicken princesse and veal escalope. Of side plates of green beans, buttery carrots, sautéed potatoes. And, it's all exemplary – delicious and soothing, as all great comfort food should be.

For dessert, there is a trolley, but the waiter – who's been there some four decades, I'm told – will

tell you what he has to offer: "Profiteroles! Like mummy used to make!" Unless you're insistent, you won't get to order. He'll bring the pudding(s) that he sensed you reacted to the most and he's mostly right.

The cost? From crudités to coffee and London's biggest plate of petit fours, £33.50. There's also a wine list of big hitters at very little mark-up. Say what you like about the 1970s, when they give you something like Oslo Court, they can't have been all bad. ■

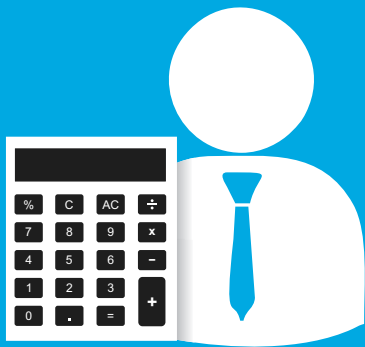
**Dinner**  
**The Ubiquitous Chip,**  
**Glasgow**  
[ubiquitouschip.co.uk](http://ubiquitouschip.co.uk)

Still boasting one of the finest names in the country, Glasgow's Ubiquitous Chip continues to do lovely things in the name of Scottish cuisine. The cooking techniques and flavour combinations have moved on, but the welcome, the relaxed room, the quality of ingredients – and the memorable haggis starter – are as utterly splendid as they were when they opened in 1971, and no doubt will still be in 44 years' time.



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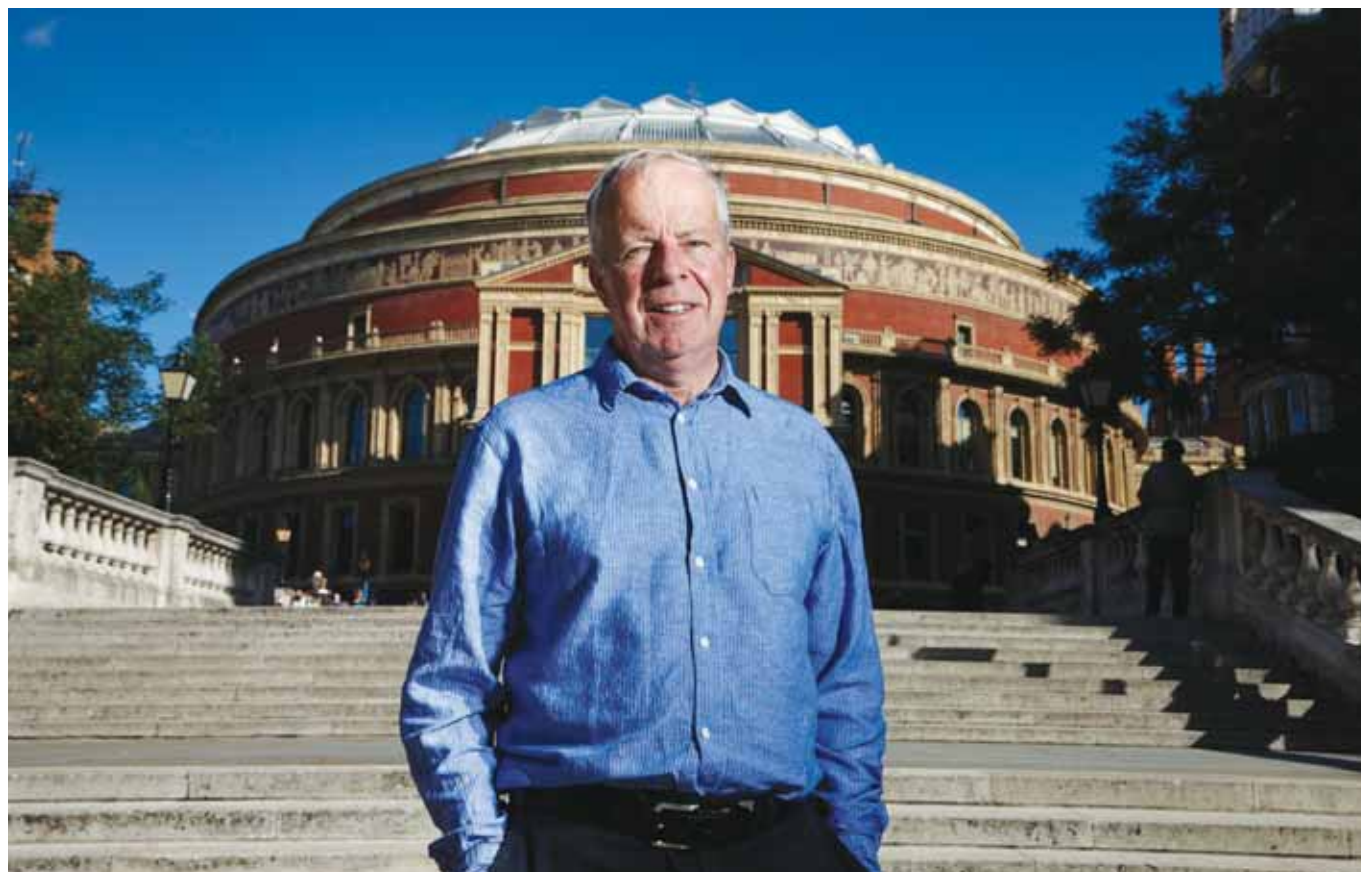


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## ***Muster the troops***

**Martin Cooke** tells Peter Taylor-Whiffen why he is an advocate of volunteering and how big things can be achieved with a little spare time - his own and other people's

**V**olunteers achieve great things," says Martin Cooke. "People working just for the love of what they do are far more productive than bored employees there just to pick up a salary."

Cooke is certainly an enthusiast. Having retired from Investec six years ago, his financial skills now serve organisations fighting malaria in Africa, giving grants to charities in Liverpool, staging performances by a London choir and running Cornwall's oldest music festival. He has also just launched his own village's website. Idle he is not. "Service is in my blood," he says. "My grandfathers were in the Army and colonial service. But I'm also involved in these things because I love being among vibrant people. The power of the enthusiastic volunteer can make amateurs as excellent as professionals."

Cooke's investment banking career was sparked in unlikely fashion at boarding school. "I liked the magic of numbers and a friend liked studying the racing form, weights, distances etc. The headmaster would get us to study a Timeform and ask us: 'so, boys, what'll win the 2.30 at Kempton?' From there my interest spread to the city pages and factors affecting share prices."

He was articled to a firm of accountants in Chester at 18, passed his accountancy qualifications at 22 and after a brief stint at former "Big Eight" firm Touche Ross became a research analyst at Rensburg (now Investec) where he remained until retirement. But he packed his free time even then, in 1978 co-founding the Chester Summer Music Festival, attracting performers from

Dame Janet Baker to Nigel Kennedy (who performed at the Royal Albert Hall Proms as part of the Chester Festival Chorus). Cooke moved on, but for the past 25 years has been involved in the organisation of the St Endellion music festival in Port Isaac, Cornwall. "It's a real one-off," he says. "Top performers come for the joy of making music, in a tiny church, for 300 people. Everyone helps with the washing up."

Music, as well as service, is now in the Cooke family's blood. He met his musician wife Frances at Endellion and two of their four grown-up children are professional singers. But he has other passions too, notably IVCC, a Bill Gates initiative to produce anti-malarial chemical compounds for African walls and bed-nets. It wants to raise \$300m in three years - Cooke chairs the fundraising committee.

Then there's the PH Holt charitable foundation, helping communities in Merseyside. But one senses Cooke's favourite project is his village website. "We've been in Tattenhall for 15 years and I belong. We got 30 people to produce the website content and have nine on the editorial board."

So how does he attract those helpers? "A lot of people of my vintage [he's 68] say you can't get volunteers. But they demand too much. Ask them to work within the limits of their knowledge and timeframes, give them responsibility they can handle - then work together to achieve things. Like many volunteers, I'm attracted by the enthusiasm and the success. You realise that, actually, you can do anything." ■

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