

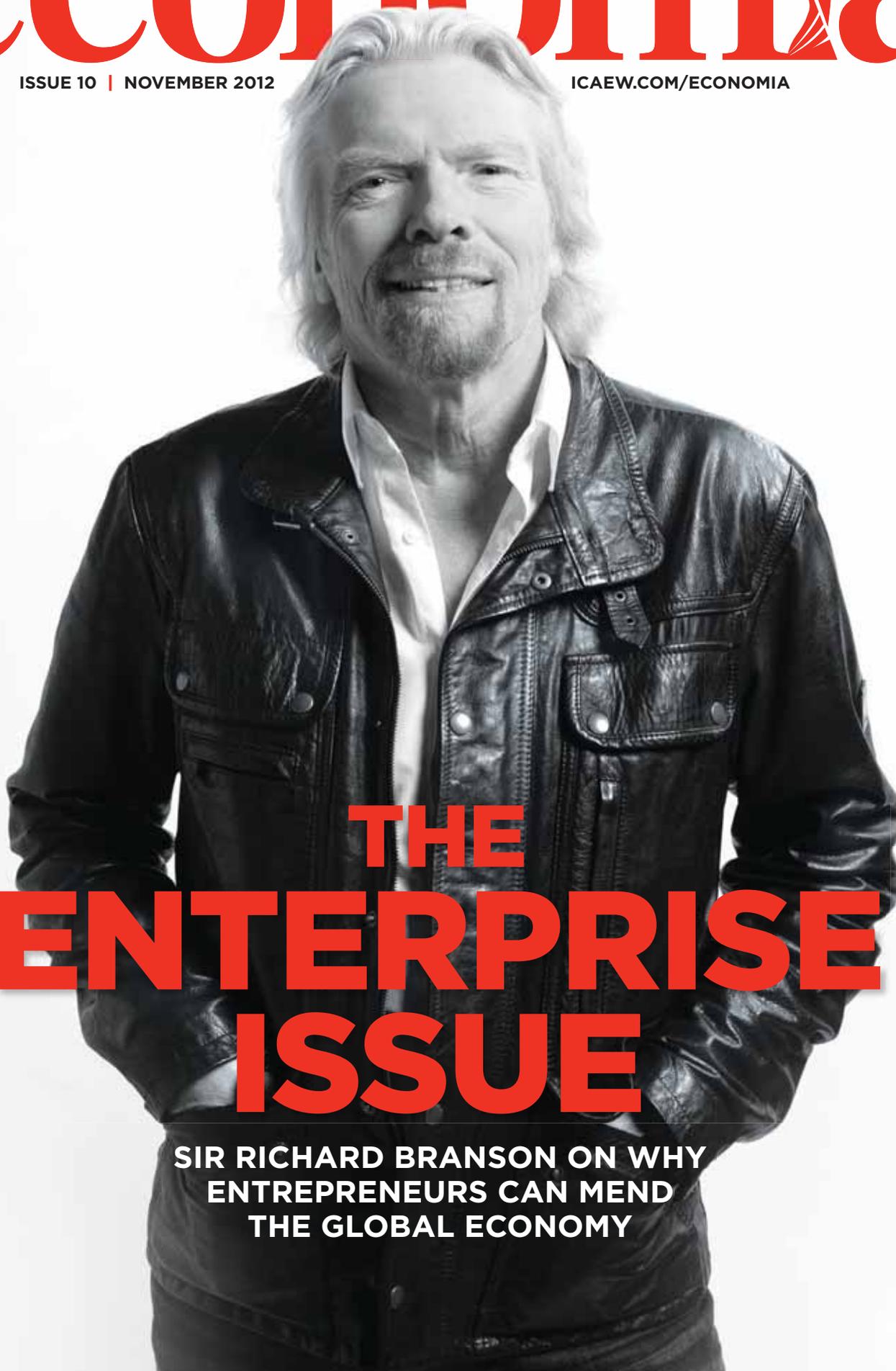
INTELLIGENCE AND INSIGHT FOR ICAEW MEMBERS

economia



ISSUE 10 | NOVEMBER 2012

ICAEW.COM/ECONOMIA



THE ENTERPRISE ISSUE

SIR RICHARD BRANSON ON WHY
ENTREPRENEURS CAN MEND
THE GLOBAL ECONOMY

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There are lessons for us all in the confidence of entrepreneurs

In the world of the entrepreneur everything is possible and optimism rules. That, at least, is the conventional wisdom. And from the evidence of working with three young entrepreneurs as guest editors for this issue, it would appear to be accurate. Optimism and a strong sense of the possible remain essential to driving innovation that in turn leads to entrepreneurial success. If this image of the swashbuckling, adventure-hungry, risk-taking entrepreneur is a cliché, no one has told this month's cover star.

After a miserable few years of slow or no growth and austerity in the global economy, this positive energy makes for a refreshing change. By nature and training, accountants tend to prize caution and prudence above exuberance. This scepticism (something good journalists share) is a healthy trait in many situations and almost always where finance is involved. Indeed, when prudence is eschewed (the financial crisis comes to mind) things often go awry.

But there must also be a place for taking a more positive view. As ICAEW's *UK*

Enterprise Survey Report 2012 shows, most business owners expect very little growth anytime soon. While ICAEW has used its report to craft powerful proposals for the government ahead of this year's autumn statement, there is also a simpler idea to emerge from the report.

What's lacking in the UK are confidence and certainty. Without certainty, it's likely few businesses will feel confident enough to invest or expand for the future. Never the most upbeat of countries, the UK is currently running a severe optimism deficit.

While encouraging people to start their own business will help in alleviating some of the problems, encouraging everyone to think entrepreneurially (ie to be more confident and positive) might pay bigger dividends.

Entrepreneurs are often presented as risk-taking buccaneers. But it is not risk that marks them out, rather it is their confidence and certainty. The successful ones have a clear vision and throw all they have into making it come true. It's an approach the rest of the economy would benefit from.

REGULATION MUST BE MORE JOINED UP

The vast majority of serious voices in the City, even those working at senior levels within the largest banks, would agree that the financial services sector was in need of a major overhaul in the aftermath of the 2007/2008 financial crisis.

And, put simply, that inevitably meant some form of regulatory reform. That has indeed been the outcome of the disastrous events that started to unfold five years ago.

The financial services industry is now facing a barrage of regulatory change from all across the world. As one senior banker said last week, "we can see the light at the end of the tunnel, but that light is a bloody big regulatory train and its coming at us head on, at full speed."

As well as the sheer volume of legislative change, there are also issues around the lack of consistency. Volker and Vickers don't

draw the distinctions between investment and retail banking at the same point.

And that's before you start on the Dodd Frank Act, Solvency II or Basel III, as well as other initiatives coming out of Europe.

Despite best intentions, the combined impact could be disastrous for the financial services industry. Worse still, without more joined-up thinking, this regulatory huff and puff won't make the institutions much safer.

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THE ENTERPRISE ISSUE

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Some of the expert opinions you'll find in *economia* this month

"This doesn't have to be complicated. It could be as simple as sitting down and asking: 'If you were to flex your selling prices what impact would that have on your cashflow?'"

P78 Small practitioners must learn how to differentiate themselves during this recessionary environment, says former head of ICAEW practice services Gill Sykes



"It's just a bit flat and they don't feel as though it's going to change for the next few years."

P42 Neil Lancaster, ICAEW member and president of the Tamworth and Lichfield division of the Birmingham Chamber of Commerce, on economic confidence in the Midlands



"I don't desire for us to grow huge and lose focus – I want us to stay small and exclusive. That's our business model"

P70 ICAEW member Simon Palmer's vision for his business, CW Dixey & Son



"There's always room to improve the quality of what's in the annual report."

P82 What, if anything, should companies do to improve financial reports and their relevance to stakeholders? Nigel Sleigh-Johnson, head of ICAEW's financial reporting faculty, offers his thoughts

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- Party conference analysis from ICAEW
- Welsh accountants enjoy best quality of life
- Lawyer wins corporate finance award

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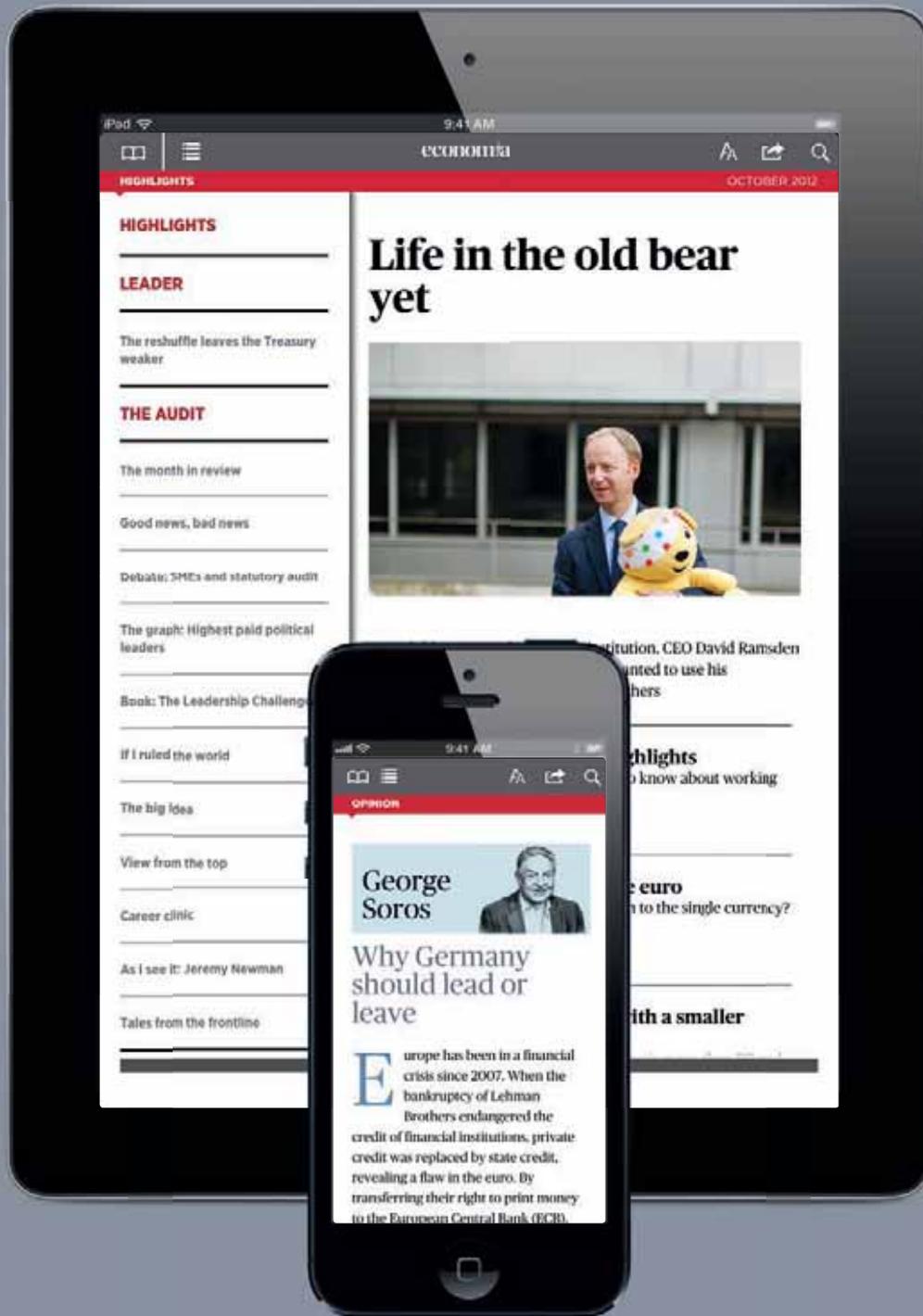
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Contributors

EDITORIAL ADVISORY BOARD

Chair: **Arthur Bailey** FCA is ICAEW vice-president and a consultant with Begbies Traynor Group and Kingston Smith.

Lord Bilimoria FCA is chairman and founder of Cobra Beer.

Robin Fieth is ICAEW's executive director, members & operations.

Mark Freebairn is a partner and head of Financial Management Practice at leading executive search firm Odgers Berndtson.

Howard Gross FCA is chief executive of Chartered Accountants Gross Klein and an ICAEW council member.

Julie Meyer is founder and chief executive of Ariadne Capital and Entrepreneur Country.

Zarin Patel FCA is the BBC's chief financial officer and non-executive director at BBC Worldwide.

Sacha Romanovitch is head of people and culture on the National Leadership Board at Grant Thornton.

Clive Stevens FCA is managing partner of Reeves and chairman of accounting network Kreston International.

Trevor Williams is chief economist at Lloyds Bank Wholesale Banking & Markets.

CONTRIBUTORS

David Adams
Guilhem Alandry
Richard Ansett
Caroline Biebuyck
Raymond Doherty
Nils-Petter Ekwall
David Gritten
Mark Harrison
Prince Hat
Liz Loxton
Nick Martindale
Dan Murrell
Sally Percy
Charlotte Player
Rick Morris Pushinsky
Andrew Smith
Peter Taylor-Whiffen
Stephan Walters
Robert Whitrow
Charles Williams

THANKS TO

Deborah Chaplin
Rob Clark
Raymond Doherty
Andrew Gambier
Ian Hart
Mary O'Sullivan
Ed Owen
Amy Pirie
Simon Thompson
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Rebecca Pridham
Ejaz Ul Haq
Abel T. van Staveren

ECONOMIA

Guest editors
 James Elder
 Sophie Mei Lan
 Anil Stocker

Editor Richard Cree
Deputy editor Amy Duff
Features editor
 Penelope Rance

News editor Julia Irvine
Chief sub-editor
 Martin Cloake
Deputy chief sub-editor
 Jacquetta Picton
Sub-editor Rob Haynes

Online editor
 Helen Roxburgh

Design director
 Ewan Buck

Art editor
 Sarah Barnett

Senior designer
 Mehmet Sem

Designer
 Penny Clements

Picture editor
 Rebecca McClelland

Picture researcher
 Catherine Hyland

Production manager
 Sarah Winter

Group sales manager
 Alex Segger

Senior sales
 Miraj Vyas

Recruitment advertising
 Louisa Strachan
 Tony Hopkins

Business directory
 Jordanna Denny

Account manager
 Tina Chauhan

Account executive
 Natalie Brighty

ICAEW

Director of communications
 Harry McAdoo

Marketing director
 Sue Best

Head of IP and publishing
 Andrea Eklund

PCP

Managing director
 Dan Davey

Sales director
 Stuart Charlton

Group editor
 Michael Jones

Group account director
 Linda Louis

Production director
 Angela Derbyshire

CONTACT US

Advertising
 020 7936 6931/6708
 advertising@progressivepcp.com

Recruitment advertising
 020 7920 8535
 icaewjobs@icaew.com

Editorial
 020 7936 6983
 economia@icaew.com

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 Chartered Accountants' Hall,
 Moorgate Place, London
 EC2R 6EA
 T: +44 (0)20 7920 8100
 F: +44 (0)20 7920 0547
 E: economia@icaew.com
 icaew.com/economia
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In review

The stories that matter most from the month just gone



“There is a whole super-jumbo airliner full of paradoxes about the way this deal was negotiated and the way it fell apart”

BBC business editor Robert Peston says the BAe and EADS merger was doomed from the start



Party conferences deliver big finishes

October was party conference season. Both main party leaders gave a strong showing, with closing speeches that reviewed as their best since they took the top job in their party. The two faced subtly different challenges with David Cameron keen to snuff out talk of a leadership challenge and Ed Miliband keen to prove his leadership qualities and extend his appeal to voters. Cameron spoke of the challenges facing the country and the need to create an “aspiration nation”, while Miliband plundered Tory heritage with an attempt to launch “one-nation Labour”. Polls suggested a score draw.

■ There was less pleasing news for David Cameron and the coalition government in the latest report from the IMF into the state of the global economy. It downgraded its forecast for UK growth and, while it stopped short of proposing a shift away from the UK’s deficit reduction programme, it warned that it may be necessary to reconsider the government’s so-called “Plan A” if things fail to pick up soon. The most damaging finding was that deficit reduction is having a



bigger negative impact on output in the short term than expected. This “fiscal multiplier” appears to be almost twice as high as forecast, with every £1 of cuts hurting more than expected.

■ More bad news came as the government was forced to cancel a contract previously awarded to First Group for the West Coast Mainline franchise. Virgin Trains had objected to the decision and threatened legal action. That prompted the Department for Transport to review the whole franchise tender programme. The cost to the taxpayer was estimated at £40m. (See page 46 for an interview with Virgin boss Sir Richard Branson).



■ The proposed merger of BAe Systems with EADS collapsed amid a display of *real politik*. The governments of France, Germany and the UK hold shares in the firms and were not keen on losing control. BAe Systems enjoys a “special relationship” with the US, which was equally reluctant to share its secrets. BAe was left open to a hostile bid from elsewhere.

■ Sir Elton John lost a libel case against *The Times*, which he claimed had unfairly linked him to a tax avoidance scheme. Sir Elton objected to a piece he claimed “implicitly” linked him to a film finance scheme that had been set up expressly for the purpose of moving money offshore.

REUTERS, GETTY, REX

GADGET OF THE MONTH

Hauppauge myTV 2GO-m

The latest generation of iDevices were born to bring us portable entertainment, allowing you to keep an entire record collection in a pocket and watch the film of your choice, rather than the airline's, at 20,000 ft.

So why has it taken so long to develop a means to allow you to use your new iPad or iPhone 4S (but not 5, thanks to its different port) as a good, old-fashioned TV? I saw a man on a park bench last week poring over the



cricket on a Sony portable TV, complete with metre-long aerial, and thought, there must be a better way.

Now there is - the myTV 2GO-m. With the significant proviso that you must be within range of a DVB-T Freeview broadcast transmitter (Hauppauge claims 10 miles is close enough), plugging this receiver into an iDevice allows you to watch unlimited Freeview TV, pause and record live shows, and view a programme guide.

Recording only works with the device switched on, so it could be a battery drain, but if you're plugged into mains power, the myTV 2GO-m's nine-hour battery life, will allow you to watch telly for as long as you want.

Penelope Rance

The month in numbers

£2.5bn The amount RBS hopes to raise from the flotation of its Direct Line insurance business

11% Estimates of the proportion of Facebook's UK sales that are declared, as the company benefits from being based in Dublin

50,000 Greeks took to the street to protest at a visit from German chancellor Angela Merkel

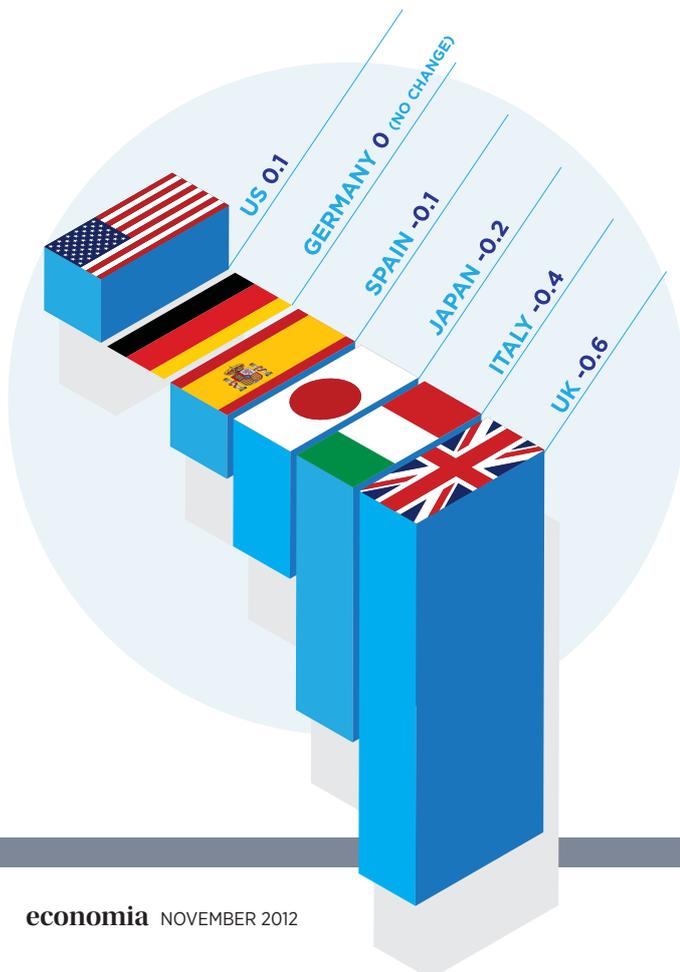
79% Drop in HTC quarterly profits as the world's fifth biggest phone maker is squeezed by Apple and Samsung

-1.9%
Fall in total industrial production June to August 2012, compared with the year before

One
The number of mentions for Boris Johnson in David Cameron's conference speech

£350m
The amount Cambridge University expects to raise from issuing a 40-year bond

Change in IMF's 2012 GDP growth forecast



"I don't know what it would taste like, but I know it would not be good"

Nyetimber's head winemaker Cherie Spriggs explains why the English sparkling wine house scrapped its entire 2012 crop

Good news bad news



▲ **European golfers:** winning the Ryder Cup in a spectacular come-back on the final day, dubbed the Medinah miracle.



▲ **Wallace and Gromit:** Aardman Animations, the company behind the duo, announced a profit surge.



▼ **Harvests:** the wettest summer for 100 years in the UK has seen wheat yields fall by 14%. This, combined with the worst drought for 50 years in the US and heatwaves in Ukraine and Russia affecting their harvest too, means food prices are set to soar.

▼ **Paparazzi agency Big Pictures:** which went into administration this month after 20 years of trading. Flamboyant founder Darryn Lyons said the “paparazzi business has changed so dramatically”. Though sacked staff and creditors are furious at rumours he is bidding for the company’s picture archive.



▲ **Payday loans firm Wonga:** sponsoring Newcastle United FC in a deal worth £24m over four years. Not so good for debt campaigners who call such companies “legal loan sharks”.

▲ **Boris Johnson,** who received a rapturous welcome at the Conservative Party conference and saw Ladbrokes slash the odds of him becoming prime minister by 2015 to 2/1.



▲ **Stella McCartney,** who designed the outfits worn by the British Olympic team this summer, is on a winning streak herself, with record profits announced for her brand. She’s definitely going for gold after her pay and dividend package soared to a personal best of £3.34m.



▼ **Tesco:** profits fell for the first time in two decades. Fallout from the eurozone crisis is blamed for a slump in its central European division and heavy investment in the domestic market has also affected revenues.

▼ **Toyota:** had to recall 7.4 million cars worldwide over faulty window switches. This is a setback for the motor manufacturer, which is trying to repair its reputation after recalls in 2009 and 2011.



▼ **The Chinese economy:** where growth has slowed as global belt tightening means the rest of world cannot afford to buy the goods they manufacture.

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If I ruled the world

Every month we ask prominent figures how they'd handle the biggest job of all

Will King

When we are young, we have absolutely no problem in establishing friendships, creating bonds and – importantly – enjoying co-operation and teamwork.

Then, when we rewire into adults, it's all about the money, competition, dog-eat-dog and more. Finally, when we're through that early adult phase, we then look to give back to society. Do some good. Be philanthropic.

And when we're about to shuffle off this mortal coil, we look back on our life and wonder if we've left a positive, lasting legacy. After all, everyone wishes to be remembered for something.

If I ruled the world, I'd create an international curriculum for co-operation and call it OPERA. I would start it as a subject at all schools, continuing throughout university, in every country.

Over the course of a generation, hundreds of millions of children, while they're at their most receptive, would be taught that co-OPERating (rather than competing) in solving some of humanity's major issues around food, climate change, religion and commerce, is the way forward.

Of course, there wouldn't be overnight success. But,



through the power of global interconnectivity, spreading by "word of mouse" via new media, and the (as yet)

untapped power of worldwide online togetherness, the world could become a more level playing field with opportunities for all.

If sources of tension and discord were discussed at an early age, then as the children mature into young adults and, eventually, elder statesmen they will realise that, important as competing is, only co-operating delivers long-lasting result and benefit. Here's how it might happen:

In 2019 China, America and Europe work closely together to rebalance the flow of global trade and achieve a non-politically focused and future looking global trade policy.

In 2021 Africa, with its untapped resource (and sunny desert) becomes the centre for global power generation via thousands of square kilometres of solar arrays.

In short, a boom-bust-boom-bust, hyper-intensified, selfish future could be settled down to a sustainable growth curve, that will take into account the huge expected rise in future human populations and all the demands associated with that.

The kids, they are our future. So let's start co-operating with them.

Will King set up King of Shaves, a British toiletries company, after being made redundant in the early 1990s

THE BIG IDEA

Muhammad Yunus Microfinance



Who is he? The founder of Grameen Bank, which has transformed the lives of thousands of villagers in rural Bangladesh by turning the traditional banking system on its head and lending small amounts (microloans) to the poor. Such is the impact of his work Yunus has become known as "banker to the poor", and won the Nobel Prize for Peace in 2006.

Where did the idea come from? Yunus started to research the idea of providing credit to people without any assets as early as 1976. Grameen Bank's business model started from the premise that credit should be a universal human right and those who most deserved it were those with nothing. The traditional model is the more you have, the more you can get. Yunus decided it would be better if the basis for credit was need rather than greed.

But wasn't lending to the poor what caused the financial crash? This is different. Rather than offering big mortgages on overvalued but worthless properties to those who couldn't afford them, Grameen offers microloans to the desperately poor to help get them started. As well as lending them money, Grameen teaches them basic financial management so they can help themselves.

Does it work? Definitely. Grameen has consistently achieved lower default rates than most traditional banks. This is in part because the bank is 90% owned by its customers (97% of whom are poor rural women), who work hard to keep each other honest. The other 10% is owned by the Bangladesh government, so there is no external shareholder pressure.

How does microfinance help? It's based on the old adage that if you give someone a fish you feed them for a day, but if you teach them to fish they feed themselves for life. Microfinance adds an extra element – if you provide finance to set up a small fishing business, they will feed their families, sell extra fish to others and repay the loan. It boosts self-esteem.

And what about a wider impact? It has been transformational. The model for microfinance and microenterprise has been exported all around the world, with examples such as *The Big Issue* helping the disadvantaged start to make a positive economic impact and contribution.

ICAEW news



ICAEW Enterprise Survey 2012

ICAEW has published its annual *UK Enterprise Survey*, based on research with over 1,000 CEOs, CFOs, FDs and other senior managers within business. The survey confirms that most expect low or no growth both this year and next.

The report lays out five key recommendations for government to help boost enterprise and the economy, including reducing regulation; simplifying the tax system and improving service standards at HMRC; supporting the construction sector; encouraging exports; and boosting the support for start-ups within government.

To download the report visit icaew.com/enterprise

Start-up Britain bus tour

ICAEW's Business Advice Service has joined forces with the entrepreneur-led, government-supported Start-Up Britain campaign on a bus tour of the UK. The Start-Up bus is visiting 40 universities across the UK and the Business Advice Service will have a couple of members at each venue offering advice and guidance on how to start a business.

For further details on the tour, visit startupbritain.co

Career clinic

To die of social shame, or to network

Mark Freebairn



I'm shy. There. Finally I've unburdened myself. If I had a therapist they would be opening champagne now. Sadly, few people believe me when I tell them this, but it's true. We used to host a cocktail party at Odgers. It was the worst day of the year for me. I would turn up late, leave early and in the intervening period I perfected the right speed to walk round in a large circle so I always looked like I was going somewhere so no one stopped me to talk to me.

One of the reasons no one ever believes me when I say this is because I work in a job where you are expected to network. Constantly. All the time. I work with someone who will regularly attend a breakfast, a lunch and three parties in an evening. What I would be prepared to do so I didn't have to do that is an open topic of debate in the office. At the moment the Marathon de Sables is the tipping point.

This isn't an article designed to replace my non-existent therapist, but to extol the virtues of networking. And they are worth extolling. LinkedIn is an excellent example of how networking can work in a country where shyness seems to be a fairly common theme. And LinkedIn actually works. But, sadly, nothing beats personal networking. Let me give you an example.

A CFO who left their role after an acquisition was looking for a new job. They did the usual rounds of the headhunters but they also wrote a list of everyone they could go and have a coffee with. Then they went and had a coffee with as many of them as they could. And at the end of each meeting they asked if there was anyone else they should go and see. The first list of 230 created a second list of 110, and that

second list then created a third list of about 70.

In total it took about seven months to see them all. But the next role he got came through someone from the second list and someone from the third list.

Now clearly I am not condoning this, as all good roles should come through headhunters, but it was a very effective way of getting to hear about everything that was happening. And he was extremely good at getting invited to all the events that the people he wanted to see or meet were at.

But networking is useful for other reasons. It's not just about how you get your next role, it's about how you develop in your current one. One of the most effective ways of developing your skill set is to meet other people who have already achieved what you want to, and hear about how they managed to do that. While it's true your boss can do that, that's only one perspective.

In an ideal world you would get to hear that story from several different people and gain several different perspectives on the best way to achieve your goal. You are unlikely to ever get that chance if you don't find yourself in a room with them, and the most effective way of doing that is going to be through some sort of networking event (even the word gives me a shudder).

So, painful as we may all find it, networking is a highly effective way of building your profile, your contacts, your mentors, your advisors and your career.

Get yourself invited onto the networks with a good reputation and brush up on your holiday chat. And if you see a tall, suited blur walking clockwise round the room, trust me; I'm on my way to speak to someone important.

Mark Freebairn is partner and head of financial management practice at recruitment consultancy Odgers Berndtson

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*S60 T3 Manual Business Edition.

Image shows Volvo S60 with optional metallic paint, BLIS (Blind Spot Information System), Winter Pack and Accessory Front Skid Plate.

EVENTS TO LOOK OUT FOR

EXPORT WEEK

12 to 16 November

Planned to coincide with Global Entrepreneurship Week, UKTI hosts a series of events (some with ICAEW support) to help small firms.

THE PITCH

18 November

The Grand Final of the national competition in which small business owners pitch for £50,000 of business support. London.

BANKING REGULATION AND BEYOND

4 December

This ICAEW Financial Services Faculty event examines the practical implications of forthcoming regulation in the sector. London.

EUROPEAN SPACE SOLUTIONS

3 - 5 December

David Willetts MP and Sir Richard Branson join the event hosted by the UK Space Agency.

BOOSTING FINANCE FOR BUSINESS EXPANSION

6 December

ICAEW's Corporate Finance and Finance & Management faculties combine for this event focusing on practical ways of raising finance for businesses at all stages of growth. London.

WESTMINSTER BUSINESS FORUM

6 December

A seminar focusing on the government's tourism strategy following sporting and cultural events in the summer. London.

INTERNATIONAL CAPITAL FLOWS CONFERENCE

13 - 14 December

CEPR event hosted by the Bank Of England looking at international capital flow management and co-ordination. London.

Visit icaew.com for more details on ICAEW events

View from the top

Mark Spofforth says the pressure is on accountants to convince more students, especially women, to join the profession



Accountancy is boring, offers little intellectual stimulus and makes virtually no contribution to society. Accountants are not seen as ethical or associated with sustainability issues and are dismissed as bean-counting nerds. Even maths students think their skills could be better used elsewhere.

This is the depressing view of final-year students at eight top-class UK universities including Oxford, Imperial and Durham – places we would consider natural recruiting grounds for chartered accountants. The research, from Oxford Brookes University, reveals that of 818 students surveyed, 628 (77%) had never considered accountancy as a career, while 107 (17%) had considered and rejected the idea and 83 (13%) were still considering.

ICAEW commissioned the study to find out what influences graduates (especially women) to opt for an accountancy career. FRC Professional Oversight Board figures show that the proportion of ICAEW women students has fallen from 44% of total intake in 2005 to 38% in 2011 compared with an average of 48% for all six accountancy bodies.

Not all the students' perceptions about accountancy were negative, although the positives tended to be incidental to the job

rather than intrinsic to it, such as having a professional qualification and job security.

The research suggests areas we could tap into to improve our image. Students' perceptions are shaped most strongly by work experience and internships. So views about auditing being a dull, desk-bound job disappear when they go out on client visits and see that social interaction is a crucial part of audit work.

I didn't plan on being a chartered accountant but my father, who was one, let me discover that accountancy isn't about numbers at all but about problem-solving. I didn't look back. The research found that where one parent, especially the mother, is an accountant, students are far more likely to consider accountancy as a career.

The shrinking number of women coming into the profession is deeply worrying. As research by *Harvard Business Review* showed last year, groups including women and men are more intelligent than groups made up of men alone, regardless of the intelligence levels of those involved.

The Oxford Brookes research may make uncomfortable reading. But if we want the profession to attract more women – and I don't believe we have a choice in this – we must embrace the problems it raises and plan how to sell ourselves better.

If you have any views about this opinion, please get in touch by emailing president@icaew.com or join the debate on our website icaew.com/economia

CHARLOTTE PLAYER



As I see it

Zarin Patel is CFO at the BBC

After graduating, Zarin Patel joined KPMG and spent most of her career there until she joined the BBC in 1998. She stepped up to CFO in 2004. She tells us about her career to date and what she loves about her job

What was your earliest childhood ambition? My dad was a branch manager for Barclays and I would play in the vaults when I went in with him. I wanted a career in business, but thought a professional qualification such as chartered accountancy would give me a good training and opportunities in the UK and internationally.

What was your first senior role? Running my team at KPMG. My team of 50 worked with everything from leasing and investment companies to high-street retailers. I loved going into a business, working out what to do with it and moving on.

What do you enjoy most about your job? I still enjoy the variety of what I do. I spent yesterday at a debriefing on our coverage of the Olympics. I was involved from the moment we acquired

the rights. We are now asking what legacy means for us? How do we do the same for Brazil or the Commonwealth Games?

What are you most proud of? For me there's real satisfaction when you see someone you've nurtured blossom and flourish and conquer the world.

If you had your time again, what would you do differently? I would go and work abroad more. I have worked all over the world but only for short periods. I wish I had done a two-year stint in America. Maybe I could have changed jobs more often.

What's the difference between private and public sectors? There isn't a difference. In a public service organisation you have to think harder about audiences, stakeholders and employees. But any good business should think about those things.

What's the best way to get things done? Find good people and, rather than telling them what to do, set a vision, offer clarity and support, challenge them and push them and then let them get on with it. Letting people make mistakes and learn from them is also important.

Who do you admire and why? Caroline Thompson [until recently BBC's COO]. We have done some difficult work together, but she has always had a smile and a "we can do this" attitude.

What are your remaining career ambitions? I love good design and things that are well made and quirky, so I'd love to work at Stella McCartney or Gucci. When I do accounts for the BBC I put my heart into them, but not as much as a programme maker puts into their work.

Guilty pleasure? Definitely shopping. I call it retail therapy because it's about keeping in touch with what's going on.

Your biggest bugbear? Poor service. One of the best parts of my job is giving a brilliant service. I want people to feel special, like customers in a Michelin-star restaurant.

What motivates you? Variety and change as well as doing something meaningful and making a difference.

How do you achieve a work life balance? I go through periods where I don't achieve it. But there are times when I just switch off. I am off to Paris soon for a weekend, Friday to Monday, and I will switch the phone off. It is important to do that to get new inspirations and experience. If you are not being inspired yourself, you can't inspire others.

Tales from the front line

Real stories from the cutting edge of business and finance

Adam Chetnik
Managing director, Hosted Desktop UK

I started my IT career when I was 18 years old and joined Francis Clark, the largest firm of chartered accountants in the south-west, looking after the internal IT resources. Four or five years later I became the IT manager at Digita, an Exmouth company that develops software applications for accountants.

I was there for a year, then Thomson Reuters bought the firm. Thomson Reuters offered me a job in its offices in Canary Wharf, working with the internal IT team, but I had a young family and didn't want to uproot everyone and move to London.

At that point I decided to pursue some ideas I'd had at the start of my career. I'd always had an entrepreneurial instinct and aspired to start my own business, but I wanted to work in the industry first and get my qualifications.

I launched my first business, Techie Support, an IT consultancy-based business. That business is still running today, almost five years on.

Two years into Techie Support I was getting a lot of requests from clients for more cost-efficient options. We looked at how we could offer clients more features, such as anywhere access, on a reliable and cost-effective platform. We began development of a cloud-based offering and started research and development on the project.

The R&D period went on for 12-18 months; we developed prototypes and did market research, asking clients to test the product and tell us what they wanted and needed. On that basis we developed our own desktop hosting system - what we know today as Hosted Desktop UK.

My first business was obviously something new to me so it was a steep learning curve. I took a bit longer to research what was involved the first time around and I applied it much better when I started my second business. I had been there before and knew what had to be done, which meant we could do it more quickly and efficiently.

Put simply, Hosted Desktop removes the need for any IT structure in the client's premises. All data and applications are run from our secure data centre. It is accessed over the internet, so clients can access it from anywhere as long as they have a phone or an iPad or a laptop with an internet connection.

Our flagship product is a platform for businesses to store their data, access their email and their

accountancy and bookkeeping applications. But we are always reacting to clients' needs and we are starting to diversify into more products and features and services.

Because of my background working with accountants, they make up about 75% of our user base. We certainly have the experience - I have dealt with accountants for 10 or 11 years and my co-director Steve Thorns has worked with the profession for 25 years so it was an obvious starting point for us. We are now starting to get into other sectors including legal, recruitment and estate agents.

With IT things are always changing, but I think the Cloud has been the biggest change in IT for the last 10 years. Two years ago we knew this would be a big thing and it was great timing for our new business - just about when it was really catching on.

It took a lot of hard work to get the system up and running and refining it and getting it well tested. But it has paid off and our growth is phenomenal. This year turnover is set to exceed £500,000 and we expect to break £1m next year. We have more than doubled turnover this year compared to last year, seeing a 128% increase as well as quarterly increases in sales of 20% for the past three quarters.

The biggest challenge launching Hosted Desktop was creating the systems. We're dealing with accountants who have their own data as well as the data from their clients and their accounts. That's a lot of sensitive data to be handled in the right manner. It's going to put you out of business if you get it wrong.

I didn't used to reckon accountants were at the forefront of technology, but we've found that a lot of clients are very innovative. They want to be at the cutting edge and find out not just how they can benefit from new technology, but also how their clients can benefit from it, too.

I think we have timed our product development perfectly. Our competitors are being asked for systems and features and they say, "we can't do that yet". We are already there and we can offer it today.

Right now we are finalising two new additional services - secure document sharing and online back-up. We are growing rapidly and we are focused on continuing that growth and adapting our services even more to benefit our clients. ■





LEONIE HAMPTON. WORDS: TINA NIELSEN

Michael Izza



Little things also mean a lot

It goes without saying that entrepreneurs are fundamental to the economic development of a country. Provided they are successful, they create jobs and opportunities and they contribute taxes and wealth. So it is not surprising that governments around the world are keen to encourage more entrepreneurialism: they see it as a useful way of kick-starting a return to recovery and a healthy economy.

Tax breaks, grants, loans, business advice, you name it, governments are bending over backwards to ensure that entrepreneurs have it. Entrepreneurs like Sir Richard Branson and Lord Sugar regularly make the headlines and are treated like celebrities thanks, in part, to TV programmes such as *The Apprentice* and *Dragons' Den*. These days, more than half the UK population aspires to be just like them.

I would be the last person to play down the important role entrepreneurs fulfil in the economy. In the UK, many of them run the 4.5 million small and medium-sized businesses that account for 99% of all enterprise, employ nearly 14 million people and together earn an annual turnover of £1.5trn. But there is another group of people – often employees at grass roots level – who I don't think get the recognition they deserve. And I know from conversations I have had with ICAEW members both in the UK and overseas that lots of you agree with me. The unsung heroes I am talking about are the innovators, the many people in all sorts of businesses who spot a better, faster, more cost effective way of doing something and implement it. It might be something as simple as moving an account to online invoicing through to redesigning the steps of a manufacturing process to use fewer raw materials.

The ideas these people come up with are not great money-spinners that would provide the basis for a new business. They tend to be solutions to problems in the face of particular challenges that may be put in their way or in the way of the business. More importantly, they can actually be the difference as to whether or not the business survives and grows, especially in these straightened times.

Some enlightened companies run bright ideas schemes, offering cash or voucher prizes to employees who put forward suggestions for improvements. But there must be other ways of creating incentives to ensure that innovators are encouraged to think outside the box and made to feel appreciated for the ideas they come up with.

We really don't place enough value on these tiny incremental changes that people make every day and we should. They are fundamental to ensuring that businesses continue to be profitable, competitive and exemplars of best practice.

Michael Izza
ICAEW chief executive

Your feedback

Online comments

■ Our website continues to engage readers



in debate. Our coverage of the problems at HMRC drew some strong responses. One insider, who wished to remain anonymous, wrote: "As a middle grade HMRC employee who's been in the department since 2003 I can only reiterate much of what's said. Collecting tax is not like making widgets where you can automate and

replace people with no loss of efficiency. I work in compliance (the bit that gets the money in) and I know from experience we don't have enough people to visit all the firms we should do. We deal with people, who sometimes lie, sometimes don't understand the tax system, sometimes need help and are trying to do the right thing... We are supposed to be a public service, but we are under-resourced and fed up with our terms and conditions being attacked by politicians who have an anti-public sector bias. Why can't the government treat its own employees with respect?"

Another anonymous contributor asked: "Could it be that the current government has an interest in HMRC having problems chasing taxpayers, especially the high earners and those with the more complex schemes and arrangements? They tend to be this government's supporters. Any businessman knows that collecting revenue is one of the first priorities, so either the government is not fit to run a business, like UK plc, or it is deliberate."

And reader Jenny was scathing in her assessment of HMRC's efficiency. "I called the Agent line, with an agent query, only to end up at the Tax Credit Helpline. Response:

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 LinkedIn group: [economiamagazine](#)

“You dialled the Agent line but this is the tax credit line. You need this number”. On calling the number I was given I ended up at the Share Incentive Helpline, who said I should call the Agent line. Obtaining an internal number for agents off the internet I dialled in directly. “This is an internal number and I can’t help you, but I do know the person you need to speak to and will send them a memo asking to call you.”

An agent maintainer person called back and resolved my query without further ado.

Another anonymous comment put it more succinctly. “HMRC has serious incompetence at leadership level, which leaves front line staff without the tools they need to do their jobs and presumably demotivated. They are only human and I feel for them!”

Finally, the splendidly monickered Fat Dave in Accounts observed: “Not often you feel sorry for the tax man – and woman – is it?”

■ Our coverage of SME financing prompted Stuart Jones to write: “If I had a pound for every time I had heard someone say: ‘if every one of the UK’s 4.5 million SMEs took on one extra person...’ I would be as rich as a PwC partner!”

“Seriously though, if the government want this to happen then they should give the small businesses some money to help them over the first few month’s costs. And that is

money direct to the business, not to big business, not to the dozens of business quangos which still exist, not to Local Enterprise Partnerships and not to Chambers of Commerce – direct to the businesses themselves.

“And, at the same time, they should stop listening to big business, the lobbyists who represent (big) business and the small business organisations who, once they step into the corridors of Whitehall, forget what they went to say and who they represent.”

■ Christie Malry was not impressed by the protests at Dave Hartnett’s retirement dinner. “The protests were idiotic and childish. The protestors conveniently ignore the fact that there were finely-balanced judgements in each of the cases raised by UK Uncut and that Hartnett needed to navigate these complex issues with extreme professionalism in order to get a good outcome for the taxpayer.

“The NAO report found that the taxpayer was well-served by Hartnett. The immature approach adopted by the protestors would have guaranteed more litigation, more expense and inevitably lower tax revenues for the UK. It’s time they grew up.”

■ Our interview with BBC Children in Need CEO David Ramsden moved another reader to write: “While corporates have globalised, events such as Children in Need thrive on being UK-based; but how can jet-setting employees flying in and out of London, Edinburgh, Leeds and other parts of the UK see Children in Need and Comic Relief events?”

“Children in Need has a federal structure within the UK; but what if it moved up a level to broadcast in the G7+ Countries too? Maybe that’s not the right step for it; but might it be good for the better-off people of the world’s richer nations to be seen working

together, more directly, to help those less well-off than themselves?

“I think it might be good for them to be seen giving through charitable work on top of paying tax. Imagine Global Comic Relief with cheques coming in from Goldman Sachs and other big global brands. Maybe we could have an Annual Band Aid, something ‘Big Society’, global and built to last too?”

“Can it be done? Or should charities stay national? Is there no value in broadcasting internationally competitive per-capita fundraising: Britain v Germany v US v China?”

Fan mail

I’ve been meaning to write for ages to congratulate you on such a splendid magazine. *Accountancy* became so boring that I have not missed its disappearance at all and now I look forward with relish to my regular dose of common sense and even fun. Well done to all the Advisory Board.

D I Shaw

economia is insightful and thought-provoking. The content is short and to-the-point and the art direction of the journal is absolutely superb. I’ve seen other accountancy magazines but *economia* stands out as the most well-designed by far.

Usually journals are boring and mundane but the language and style of *economia* is so appealing it got me reading business news avidly. The “*Good News Bad News*” page is my favourite.

Nabiha Zeeshan

The *economia* website is constantly updated with news, features and breaking technical stories. To join the debate and comment on anything from the magazine or online, visit icaew.com/economia

Letters and comments may be edited for clarity and space.

TOP FIVE MOST READ STORIES ONLINE AS WE WENT TO PRESS

- 1 Resignations rocket at HMRC
- 2 Budget tax changes come into effect
- 3 Swinburne rejects seven-year audit rotation
- 4 Ernst & Young reports soaring UK revenues
- 5 A solution to Japan’s economic woes

Jason Cowley



Who can claim to speak for one nation?

The Conservative and Unionists once considered themselves to be the “natural party of government”. The Tories were dominant in the 20th century and when Margaret Thatcher was elected in May 1979, with a majority of 43, she won 22 seats in Scotland. Even as late as 1992, after the poll tax riots, the party won 11 seats north of the border. By the time of the Blair landslide of 1997, the last general election before the creation of the Scottish parliament at Holyrood, in Edinburgh, the Tories were wiped out in the nation of Adam Smith and David Hume, winning none of 72 seats. (At the 2010 general election, the party won only one of 59 Scottish seats.)

Outside St George’s Hall, the neoclassical building opened in Liverpool city centre in 1854 as both a concert hall and law courts and which embodied all the confidence and wealth of the great imperial port city, stands a statue of Benjamin Disraeli, the original one nation Tory.

But today Disraeli looks out forlornly over a city, as with Manchester and Newcastle, that is resolutely Labour. The Tories’ struggles in Scotland and the north of England are a reminder of why the natural party of government has not won a general election since 1992. Nor do its present poll ratings suggest it will do so in 2015. Because of the vagaries of our electoral system, on a uniform swing, the Tories would need a lead of 7% compared with just 1% for Labour to win an outright majority.

During his conference speech in Manchester, Ed Miliband cheekily claimed Labour as the true “one nation party”, the only party which can speak to and for the entire British nation at a time of economic and political crisis. He was attempting an audacious land grab, caricaturing the Tories as the “party of the rich”, while repositioning Labour as the voice not only of the urban working class but of the aspirational “squeezed” middle class: the harassed commuter, the small businesswoman.

He invoked the spirit of Disraeli and spoke of the need to “rebuild Britain” after the ravages of the

This reveals a divided electoral map of Britain, with neither main party able to win territory from the other

financial crisis and the Great Recession and even of the need to remake capitalism by changing the culture as well as the rules by which business operates. The corrosive effects of inequality and corporate irresponsibility had damaged us all, he said.

It was a fine rhetorical performance, delivered with panache and without notes – look Mum, no hands! But if Labour is ever to become the party of one nation it needs drastically to improve its standing in the south. South of the Severn-Wash line, outside London, it holds just 10 of 197 seats. What this reveals is a starkly divided electoral map of Britain, with neither of the main parties able to win territory from the other.

Labour has a consistent lead in the polls but it feels soft, and the Tories are playing a long game: as the country pulls slowly out of recession, they believe their fortunes will improve. The result, as we approach the end of the year, is that parliament remains hung.

Both David Cameron and Ed Miliband accept that Britain is in the grip of profound crisis; the prime minister, in his conference speech, spoke of an “hour of reckoning”. Both leaders accept the need for fiscal restraint and deficit reduction.

To the uninformed (ie the typical voter), the differences between them can seem, at times, to be ones of tone and nuance rather than of ideology. Miliband and his shadow chancellor Ed Balls tread warily for fear of provoking the ire of powerful union leaders such as Len McCluskey of Unite, while Cameron and George Osborne have to accommodate their coalition partners while appeasing their backbenchers, especially the talented intake of 2010, who are restless for more tax and public spending cuts, for the Tories truly to become the party of enterprise and small government.

It all feels rather becalmed. But the phoney war can only last for so long; sooner rather than later Labour will have to reveal what its programme for government would be, and then something really will be at stake.

Jason Cowley is editor of the *New Statesman*

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Head of Deloitte's tax practice Andrew Hodge on judging Plan A

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Senior resignations at HMRC

PRACTICE NEWS

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RSM Tenon promotes partners

Former Nokia CIO joins E&Y

Welsh accountants enjoy the best quality of life

KPMG appoints non-exec board

AUDIT

John Griffith-Jones on the "dogs that didn't bark but could have"

Competition Commission delays report into audit market

BUSINESS ANALYSIS

Graduate salaries down

Party conference analysis: Tories on the right track

Bonuses fall among FTSE 250 executives

Aldermore's Ian Wilkins says SMEs need more finance



RSM TENON RESULTS

In an *economia* video exclusive, Chris Merry, CEO of the troubled firm, offers his take on its most recent results and explains how he's turning things around

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- 1 Resignations soar at HMRC
- 2 Budget tax changes
- 3 Swinburne rejects seven-year audit rotation
- 4 Ernst & Young revenues
- 5 A solution to Japan's economic woes



THE REACH OF THE BIG FOUR

Cass Business School's André Spicer questions the influence wielded by the alumni of the Big Four accountancy firms and sets out what needs to change



BARNIER ON BANKS

European commissioner Michel Barnier outlines some of the problems that need resolving before Europe-wide banking supervision will work

Cathy Newman



Conference call, armed police and jobs that count

Whenever the leaves, and the rain, start to tumble, 'tis the season for politicians to make merry at party conferences. That used to presage an agreeable few days at the seaside, but only the Lib Dems risked Brighton this year, with Labour and the Conservatives wending their way to those great urban meccas of Manchester and Birmingham respectively.

So while the politicians make merry, they invariably make hay with the facts. And none more so than Nigel Farage, the UKIP leader who kicked off the party conference season. UKIP has some right to be taken seriously these days, what with poll ratings at times nudging 10% – high enough to threaten the Lib Dems' status as the third party. But do its policies and passions pass muster?

First up, UKIP's oft-repeated claim that "commissioners in Brussels dictate 75% of our laws". Originally this came from a mistranslation of the then-European Parliament president Hans-Gert Pöttering in 2009. But he didn't say the EU was behind three-quarters of laws passed by member states – merely that the European Parliament was responsible for 75% of EU laws. Perhaps realising they'd been rumbled, UKIP now says it bases its claim on a 2005 German study, which found 84% of legislation in Germany came from EU regulations and directives.

Generously, UKIP has shaved off a bit in applying the figure for the UK, recognising that legislation affecting eurozone members doesn't have much sway here because we don't belong. But *FactCheck* still reckons it's misleading, as it makes no allowance for the importance of different laws. So a nerdy, technical regulation, for example on how straight our turnips are, carries as much weight as our own health and social care bill, and each are therefore counted as one law in UKIP's book.

There are plenty of other UKIP pronouncements put through the mill by the team on the *FactCheck* home page, see address right.

Whatever the talk of a UKIP/Tory electoral pact, there's probably more chance of David Cameron sending daughter Nancy to Eton than of Nigel

UKIP has some right to be taken seriously these days. But do its policies and passions pass muster?

Farage's party getting to turn their political theories into practice in government.

So let us turn our attention to the prime minister, and his claim, in the wake of the fatal shooting of two policewomen in Manchester in September, that "there are more armed police officers" and "more armed-response units" under his leadership.

He couldn't have been clearer that, despite funding cuts, frontline, armed-response units have been spared. In fact, figures show the number of authorised firearms officers in England and Wales fell by 4% last year – down from 6,979 in 2009/10 to 6,653 in 2010/11. It's the lowest number since 2004/05.

Before we put the PM on the naughty step, it's worth pointing out that the number of incidents where armed police were used also fell over the same period, by just over 7%. So it could well be that police forces are trimming numbers in response to demand.

Even so, there's no getting away from the fact that Mr Cameron got his figures wrong. To read between the lines about the thin blue line, see the *FactCheck* page for the full facts and figures.

That even old hands like the PM can get their facts wrong may be of some comfort to keen new ministers who haven't quite read their briefs. Matthew Hancock had only been in his job as business and education minister for a week before he fell foul of the *FactCheck* police. He claimed 200,000 new jobs had been created through the government's Regional Growth Fund – an initiative that was supposed to boost private sector jobs in the English regions most likely to suffer from public service spending cuts.

Unfortunately for Mr Hancock, the august National Audit Office (NAO) says only 20% of jobs will be created directly by government money. The majority will come from indirect sources, such as investment from banks. The NAO predicted an eventual jobs tally of just 117,000. And not all of those will be new, some would have been created anyway.

The minister is a fast learner, so I'm sure he won't slip up again in a hurry, but if he should, rest assured the *FactCheck* team is ready to pick him, and any other statistic-spouting politician, up on it.

Cathy Newman presents *Channel 4 News* and runs the *FactCheck* blog. It can be found at channel4.com/factcheck

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Michael Fallon



Helping small businesses thrive

Small and medium-sized businesses are the lifeblood of our economy, comprising 99.9% of all UK firms and accounting for more than half of private sector employment. Yet many businesses don't seek or receive the essential guidance and support that could help make them more successful.

Now, more than ever, we must enable as many UK-based businesses as possible to start, grow, and hire more people. The economic growth we need will only come from the private sector, so it is vital that our small and medium-sized businesses are able to succeed and pave the way for a stronger economy.

As minister for business and enterprise, helping UK businesses to thrive is one of my top priorities, and this is why I will continue to work hard to reduce the regulatory barriers facing businesses. And as a former company director myself, I well understand the challenges that all businesses face on a daily basis.

Good financial management is paramount to the success of any small business. When asked what the biggest obstacle they face is, many small businesses will tend to cite cashflow. And accountants have a significant role in advising companies in this sector on financial matters at critical points in their development – from helping them utilise financial software to preparing reports for tax purposes.

Advice from a professional accountant can save a new business from avoidable financial pitfalls and help ensure its long-term success. And yet fewer than half of small businesses opt to seek any external advice: those that do report improvements to their business performance as a result.

That is precisely why Business in You was created – to connect entrepreneurs with the tools and support they need to be successful. Launched by the prime minister in January, Business in You is a partnership between government and private enterprise that highlights business support and essential resources.

We need to connect the entrepreneur with the tools and essential resources they need to be successful

Michael Fallon MP is minister for business and enterprise

Business in You showcases information on finance opportunities, mentoring, guidance on exporting, assistance with employment, and various other forms of business support.

The partnership can also aid companies seeking help with cash flow management and other accounting matters by directing them through to Business Link.

By sharing the stories of real-life entrepreneurs who have been through challenges and found success, the campaign inspires entrepreneurs and shows companies how they might make use of available resources.

These stories show the human face of entrepreneurship – people such as Jeremy Hurst, who started Slightly Different, a web development and design agency that now employs 15 professionals working with an international client base. He learned first-hand the benefits of utilising external support when he and his business partner realised they needed to take on more staff.

Hurst says the advice he received was useful, and he believes that if Business in You had been available when he was first starting out, the hiring process would have been much easier.

The Business in You campaign has been warmly received by many of the business owners I have spoken to. ICAEW was an early supporter of the campaign and has now been joined by a host of other partner organisations such as eBay, Wickes, and the Federation of Small Businesses. In addition, some of the UK's most successful and well-known entrepreneurs – such as *Dragons' Den* dragon Peter Jones and former dragon James Caan – are getting behind the effort and sharing their experiences through mentoring.

I encourage you all to get involved with the Business in You campaign by offering your time and skills as a business mentor and helping the UK's small and medium sized enterprises achieve the growth they seek. Your expertise can be an invaluable asset.

Letter from America



The land of build, exit, invest and mentor

Although I've been on the west coast of the US (Silicon Valley, or the San Francisco Bay Area) for almost two and a half years now, I feel like it's only in the last few months that I've really got the measure of the place.

This isn't because the place and its residents aren't hugely welcoming and accommodating – my Bay Area-native girlfriend would take umbrage with that – but because it's so almost-European that one can be fooled into thinking that everything is exactly the same as it is at home.

I found out the hard way that despite all the similarities (people like to walk everywhere, there are independent shops and restaurants), even liberal Californians have a streak of puritanical mid-America running through them. On more than one occasion I've retold an amusing anecdote in a business meeting, only to be met with downcast eyes, polite coughs and the occasional muttered "inappropriate". Even perfectly harmless phrases which are part of the everyday British lexicon such as "suck it and see" are met with a narrowing of eyes and an apprehensive "suck what exactly?". That said, when it comes to innovation the Silicon Valley crowd are as liberal with their ideas, time and money as their reputation would have you believe.

European entrepreneurs often bemoan the "funding gap" between smaller friends-and-family funding rounds and the first institutional venture money. There are a hundred perfectly valid reasons why this gap exists – smaller countries, fewer big technology success stories and,

Andy McLoughlin is co-founder of software company Huddle

as my co-founder Alastair likes to generalise about successful UK entrepreneurs, a traditional tendency to: "sell up and retire to the Cotswolds".

Thanks to a confluence of factors, including several nearby top-flight universities spewing out start-up-obsessed computer science and MBA graduates, several desirable cities and towns within a relatively small area and, most importantly, more big technology exits than anywhere else, Silicon Valley is a place that nurtures and retains talent and money like nowhere else on earth.

And unlike UK entrepreneurs who retreat with their bags of cash to the countryside, local successes like nothing better than funnelling a chunk of their wealth and knowledge back into the scene. This process of "build, exit, invest, mentor" has blossomed over several decades, but today's entrepreneurs demand a better system that's fast, transparent and based on merit rather than college connections. Enter AngelList (angel.co), a platform to connect start-ups with investors. It was only founded in 2010 and so is very much still a start-up itself, but AngelList has already helped thousands of great companies connect with investors and collectively raised hundreds of millions of dollars.

But what's most exciting about platforms such as AngelList is that they open up Silicon Valley's network to entrepreneurs based thousands of miles away. As long as you have a great idea and the team to make it happen, start-ups from as far away as India, Russia and the UK are raising the cash they need to take the next big step. ■

GLOBAL ENTREPRENEURSHIP WEEK ONLINE

This issue's entrepreneurial theme will be carried on at the *economia* website during Global Entrepreneurship Week. From the 12-16 November, icaew.com/economia will be handed over to guest editor and entrepreneur Natalie Campbell. Founder of social research business A Very Good Company, Natalie is plugged into global enterprise and recently visited the US, Canada and Brazil to talk to entrepreneurs there. The website will be packed with fresh interviews, analysis, discussions and insight. What makes a good entrepreneur and why do they need accountants? You can also find the results of our entrepreneur survey, and more. Follow using #GEW2012





GLOBAL GO-GETTERS

With jobs scarce and industries shrinking, people are setting up on their own. **Adrian Holliday** looks at where in the world new business thrives

The top entrepreneurial economies range from booming Bolivia – one of the most entrepreneurial economies in the world according to several Global Entrepreneurship Monitor surveys – to sombre Scandinavia. Such lists make popular reading, but do they reflect long-term entrepreneurial prowess hard-wired into an economy, hopefully supported by national industrial policy? Or do they reflect cases of hand-to-mouth survival under tough economic circumstances?

Regardless, politicians from both left and right, from China to Chile, support entrepreneurship. Aided by technology, some entrepreneurs can trade to the whole world from day one.

SUSPICIOUS MINDS

A lack of opportunity, says Professor Olav Sorenson from the Yale School of Management, certainly encourages self-starters. “Some of these rankings are based on almost philosophical beliefs rather than on social science. Taxes are often included in these ratings, so lower tax rankings are good. But there’s little evidence that tax rates really affect entrepreneurship. Which is not that surprising. Individuals rarely move to avoid taxes.”

The fact that Bolivia could be regarded by some as unusually entrepreneurial makes Dr Paola Subacchi, research director of international economics at Chatham House, wary. “If a country has



Main picture and right, top: small fabric businesses in Bolivia – the proliferation of which may be due to a lack of wider employment opportunities. Above: small businesses in the Chinese town of Xiao Feng make 18bn pairs of single-use chopsticks a year. Bottom right: a seamstress in her studio in Hutong, just south of Beijing



many self-employed people and many new companies, it doesn't mean that the country is particularly conducive to entrepreneurship," he says. "It could be a sign of distress because there's not enough jobs or employment. People tend to create small, insignificant businesses just to give themselves a job."

Labour law, however, certainly does have an influence, says Sorenson. He points to recent research – for example, around non-compete agreements – that bind an employee not to move to a competitor. Generally, places that enforce non-compete agreements have lower rates of entrepreneurship, he believes.

There are also many shades of grey to such lists. If a professional has a biotech background, moves to a place where there are no biotech firms and starts a business related to their biotech former life, that's a move out of necessity, says Sorenson. Also, to get started, entrepreneurs have to put in a lot of research. Both of these are entrepreneurial actions – very different to the date when incorporation of a business properly kicks off.

It's also important to look at failure rates and migration, says Dr Berkay Özcan, lecturer at the Department of Social Policy at the London School of Economics. "Migrants are more likely to start their own businesses, but not all types of migrants do," he says.

Some jurisdictions are also much better at supporting one half of the population – women. Self-employment can be very good for work-life pressures, says Özcan. "The women who enter

high-risk and high-quality entrepreneurial businesses are more likely to be divorced or have fewer children. Or more likely to be single.

"When you look at the global picture, some countries are much better at promoting small family businesses because they're not part of an institutionalised labour market.

"So a ranking doesn't really tell us about whether entrepreneurs are generally successful compared with another country."

RETHINK THE QUESTION

But such rankings can supply a rough-and-ready reckoner of likely obstacles to overcome, specifically red tape. On a more realistic commercial level some nations, of course, offer superior protection of intellectual property rights, plus stronger legal systems capable of enforcing contracts.

"If you eliminate all the legal processes and demographics, there is no culture that is better at entrepreneurship," insists Özcan. "Once you net out all these factors there is a cultural determinant, which is more to do with the legal factors, the visibility of long-term horizons and other factors that come together that either flourishes or hinders."

In fact, it would probably help to get away from a simplistic list of top five lists of countries for entrepreneurs altogether and instead, says Elizabeth Garnsey, reader in industrial organisation at Cambridge Judge Business School, ask what types of start-up are needed for any particular country: "Greater productivity and value added? Opportunities for excluded groups? Green enterprise coming up with innovations to mitigate climate change?"

Garnsey is an expert in clustering – how interconnected enterprises work together to help stimulate productivity and

competition. But there's clustering, and there's clustering.

"High-tech start-ups spinning out of universities, for example, are different from clusters of businesses providing tourist service activities, so they can't sensibly be classed together," she says. "So the questions that arise are around what kind of cluster: for example, do we want knowledge-based enterprises targeting high-end markets or lower-tech enterprises that could provide affordable goods and services in emerging countries? Or both?"

FOLLOW THE MONEY

There's also another route for tracking the ebb and flow of global entrepreneurial cash. Follow the smart money. Specifically, venture capital. Last year Richard Marsh sold his software business Datanomic to Oracle (for around \$80m, it's speculated) and is now a partner at DFJ Esprit based in London, a venture capital operator with a track record of around 200 deals.

Marsh warns, though, that it's too simplistic to match entrepreneurial characteristics from a best-country-to-start-a-business list to a VC wish list. "The things VCs typically look for is a technology or idea where there is a defensible competitive advantage, either by patents or market position. If you get

40% of the market you are an out-and-out leader, typically. You can't usually be usurped from that."

Many VC-funded businesses have a high-tech edge, which second world countries, particularly with regard to infrastructure, may struggle to support. Proportionately more VC funding is generated in the US than the eurozone, though the size of both economies – between \$14trn and \$15trn of GDP – is similar. It's quite a good comparison, like-for-like, says Marsh, and with one clear VC European winner.

"Within the US the hotspot is Silicon Valley, which receives 35-40% of all VC funding. Within Europe the level of VC funding is lower. But the hotspot is the UK, which receives 35-40% of all VC funding in Europe."

Scandinavia is very active currently, says Marsh. "There's a long history of gaming in Finland. There are some interesting payment businesses in Scandinavia with high levels of education and technical talent. The talent pool is there but the home market is quite small. So businesses that start there have to think outside their home country from day one."

CREDIT DUE

But there are also other countries pushing entrepreneurship far more aggressively than they used to, with the potential to shake up the traditional best-country-for-business list ratings. Professor Donna Kelley of Babson College, author of *The Global Entrepreneurship Monitor (GEM) 2012 Global Report*, says Chile and China both saw booms in entrepreneurship last year.

"Chile's government is promoting entrepreneurship heavily," she says. "They have Start-Up Chile, which provides seed funding and assistance to high-potential entrepreneurs, and provides training for people starting businesses. China is continuing its track towards promoting free enterprise, and they are particularly concerned with the wave of young people leaving college with few employment options; they are seeing entrepreneurship as a way to solve this problem."

Even countries like Iran are attempting to boost entrepreneurship, says Kelley (despite erratic governmental handling

and sanctions imposed from its nuclear programme). Or how about those new business-focused committees that, according to a World Bank document, report directly to the President or PM, as in the case of Colombia, Malaysia and Rwanda?

Despite the economic hardships of a country like Bolivia, its population still deserves credit argues Kelley – hence its high entrepreneurial rating. "Yes, in emerging economies, there are a higher proportion of necessity-driven entrepreneurs than you see in the wealthier economies. These economies, however, also tend to rate higher on attitudes. In many cases, when you have a lot of entrepreneurs, and this is a common path people take to earn income, it becomes ingrained in society that this is a viable alternative."

SMARTER, FASTER

Cash-strapped Europe isn't left out, with a recent rise in self-starters and new businesses, whether out of necessity or opportunity, according to GEM. But it's one thing to say you want to encourage entrepreneurs; it's another to show you're doing it. "The underlying principle is to have 'smart' regulation," a World Bank 2010/11 global report advised, "on dispensing with cumbersome and costly regulations that impair the private sector's capacity to innovate and grow while maintaining regulations that promote a level playing field."

Meanwhile, much of debt-riddled Europe remains staunchly un-smart. Witness Greek entrepreneur Fotis I Antonopoulos. Antonopoulos wanted to sell olive oil products online. It took him 10 months, collecting dozens of forms and stamps of approval – including proof that he was up to date on his pension contributions – before he could get started, the *New York Times* reported earlier in early 2012.

But even that was not enough. In perhaps the strangest twist of all, his board members were required by the Health Department to submit lung X-rays – and stool samples – since this was a food company. "I laugh about it now," Antonopoulos told the paper. "But it wouldn't be so funny if I didn't have a very good job with very good pay. It would have been an absolute nightmare." ■

ECONOMIA'S TOP FIVE ENTERPRISING ECONOMIES

US

1 Even in the dark days of 2011 the Kauffman Index – a good indicator of new business creation – showed one in 300 American adults created a business per month in 2011. A 5.9% drop from 2010, but still among the highest levels of entrepreneurship over the past 16 years.

UK

2 Comparatively high levels of VC cash are pumped into the UK economy. There remain concerns about how innovation is structured across all disciplines and the role of government is sometimes difficult to comprehend. But in a GEM 2011 survey, 3.4% of the UK working age adult population were owner-managers of businesses aged three to 42 months, slightly lower than the US (4.3%).

DENMARK

3 Forget extortionate tax rates and the welfare state overhang. Strong R&D, high levels of innovation and low start-up costs are the order of the day. A highly educated population and strategic position between Scandinavia and the rest of Europe, including the former Eastern bloc, are benefits. Access to capital remains a concern.

NEW ZEALAND

4 *The Economist* claims New Zealand is an "entrepreneurial powerhouse" and The World Bank ranks it as one of the best countries in the world for ease of doing business. There's government R&D funding of 45% and an increasing focus on biotech and agribusiness.

CANADA

5 Canadian businesses were taxed at just 28.8% in 2011 according to the OECD – significantly less than other nations. Filing for incorporation is done online with a five-day turnaround. Like Denmark, there's concern about ease of funding; Canadian banks are strong but cautious.

PEOPLE BUSINESS

As a qualified ACA, Michaela Henshaw brings a unique perspective and understanding to her role as HR director for group finance & strategy within Tesco's global business



Q Describe the scope of your role and how your previous experience prepared you for this.

My role is to drive the strategic direction and consistent delivery of the people agenda globally across both finance and strategy. I focus on the continual advancement of functional capability, creating strong talent pipelines and building a global finance community. Having been a finance director in Tesco myself, prior to taking on this role, I truly understand what good looks like. I therefore have good insight into the key challenges we are faced with and what we need to do to move our agenda forward.

Are there inherent advantages/disadvantages to working in the finance teams of a company of Tesco's size?

In my view, Tesco's scale is a real advantage. There are a huge range of opportunities open to finance colleagues both geographically, with the chance to work in markets from China to the USA, and functionally, in business areas from Tesco Bank to internet retailing. In our smaller markets, you can have exposure to the whole breadth of that business, whereas in our large markets there's the opportunity to specialise in one particular area, such as property finance. In addition to our core businesses, we are also involved in a number of developing enterprises which offer the chance to work in a much more entrepreneurial environment, for example Blinkbox online movie service.

What do you believe makes Tesco such a 'global employer of choice'?

There are many great reasons to join Tesco. Retail is a fast-paced, dynamic industry with tangible products that we can all relate to as customers. Tesco has a strong values embedded culture and as a global retailer, with a high level of focus on colleague development and talent planning, offers huge breadth of opportunity. We are a very innovative business and we pride ourselves on the excellent delivery of plans. We also give accountability, and an

opportunity to add value, to our colleagues at very early stages of their career.

When recruiting, what are the key attributes that you look for in a globally-facing finance or strategy colleague?

I look for strong customer focus, as our customers are at the heart of everything that we do, teamed with the desire for accountability and the ability to make decisions. Talent spotting and developing colleagues is of course an absolutely essential skillset. In today's economic climate there is an even greater need for resilience, and the ability to work collaboratively is fundamental as we work more and more across different countries and functions.

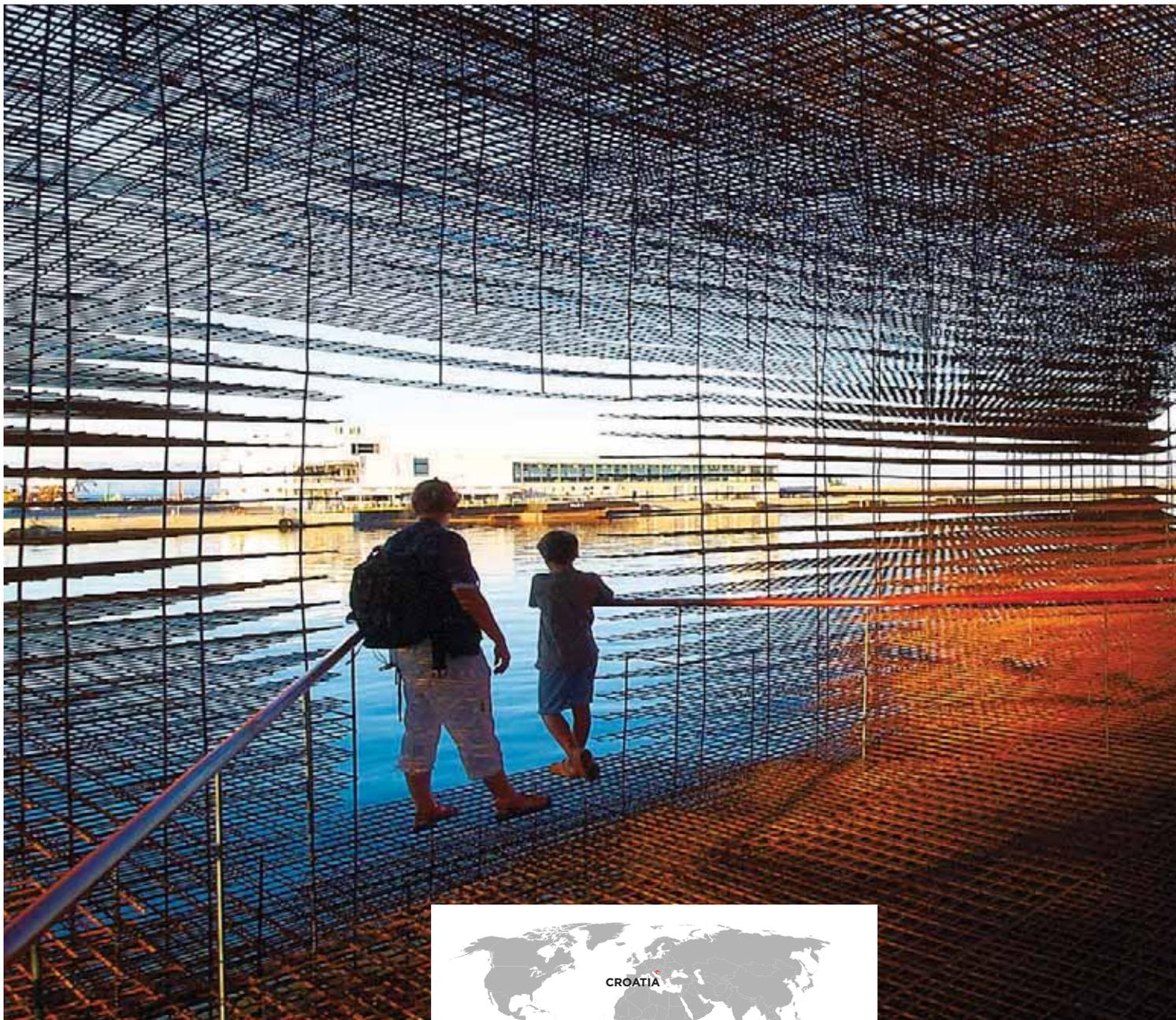
How does gaining international experience really benefit a finance team member?

All of our colleagues who have worked overseas describe it as a really positive experience from both a personal and professional viewpoint. You gain first hand a much stronger and broader understanding of our global business and the different economic and cultural challenges we face in each of our markets. It is a great test of your adaptability to a new culture, with different priorities, values and ways of thinking, and as a result you really get to push the boundaries of your communication and influencing skills. You become a lot more open to managing change after an overseas experience!

After 10 years at Tesco, what keeps you motivated?

Working with so many countries is a fascinating insight into different cultures and what we need to do differently to get the best from all our colleagues. For me there is nothing better than seeing colleagues grow and take on bigger accountabilities, knowing that my team and I will have supported that journey in some way.

This is the third of three articles. To find out more about Tesco please visit tesco plc.com To discuss how you too could have a global finance career at Tesco contact sarah.gallo@uk.tesco.com or visit tesco-careers.com/jobsearch.cfm



Croatia

AT A GLANCE

Croatia's history has left the country with a fragile economy but, says **Penelope Rance**, government investment and a strategic location in central Europe could underpin a brighter future

VITAL STATISTICS

POPULATION: 4,480,043 (July 2012 est.)

CAPITAL: Zagreb

FULL NAME: Republic of Croatia (Republika Hrvatska)

ECONOMIC STRENGTH

GDP PER CAPITA: \$18,400 (2011 est.)

EXPORTS: \$12.28bn (2011 est.)

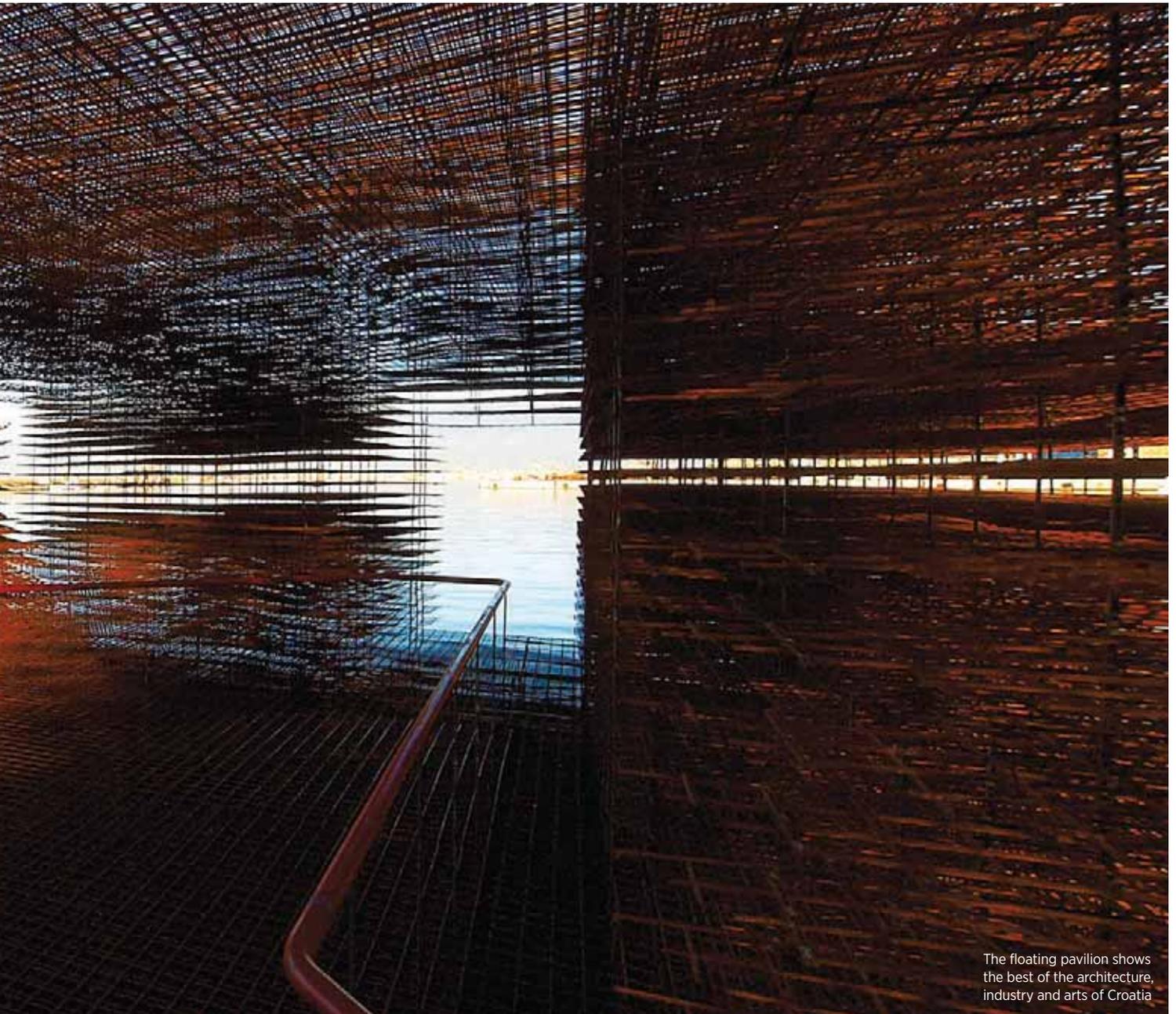
IMPORTS: \$20.4bn (2011 est.)

EXCHANGE RATE: £1=9.157HRK (kuna) (17 Sept 2012)

Among the wealthiest of the former Yugoslav republics, Croatia's economy suffered during the 1991-95 fight for independence. Tourism and credit-based consumer spending along with a stable currency boosted the country during the early part of this century, but in 2008 a slowdown kicked in. High unemployment and uneven regional development persist, as does the risk of recession.

PROFILE

Formerly ruled by the Austro-Hungarian Empire, following the First World War Croatia, Serbia and Slovenia formed a separate kingdom, known as Yugoslavia, from 1929. After the Second World War, this became a Communist state under Tito, from which Croatia announced its independence in 1991. The war that followed resulted in the expulsion of the majority of Serbs from the country. In 2009, the country signed the EU Accession Treaty and is expected to enter the Union in mid-2013.



The floating pavilion shows the best of the architecture, industry and arts of Croatia

HISTORY

The Croats arrived during the 7th century, forming the Duchies of Dalmatia and Pannonia. By 925, Croatia was a kingdom, and enjoyed a period of ascendancy only halted by Ottoman invasions in the late 15th and mid-16th centuries. The Austrian Habsburg imperial family was given power in return for protecting the country. In 1868 the kingdoms of Croatia and Slavonia were united. Attempts to reform Austria-Hungary, with Croatia federalised within, were halted by the outbreak of the First World War.

ZELIMIR GRZANČIĆ

GEOGRAPHY

Controlling the majority of land routes from Western Europe to the Aegean and the Turkish Straits, Croatia's location on the shores of the Adriatic has led to its success as a tourist destination. The varied landscape, half of which is forested, incorporates mountains, coastline and flat plains. This, along with the Mediterranean climate, results in wide-ranging appeal to visitors as well as some of the richest biodiversity in Europe. Environmental issues include a degree of air and coastal pollution.

POPULATION

Due to its recent history, the vast majority of the population is Croat, with Catholicism the dominant religion. Agriculture accounts for 6% of employment, and 58% of the population is urbanised, with two-thirds working in service industries. Reliance on tourism is likely to result in higher unemployment if recession hits. With the death rate outstripping births, and growing emigration, the population is shrinking, undermining the manufacturing industries and further depleting exports.

INFRASTRUCTURE

Croatia's infrastructure was damaged in the conflict between 1991-95, but loans from the European Bank for Reconstruction and Development and the World Bank have allowed it to create one of the most highly developed infrastructures in Eastern Europe. In 2012, the government announced its intention to inject \$2.13bn into a number of industrial projects aimed at stimulating GDP growth, including the national grid, national waterways and national railways.

ACCOUNTANCY

In 2010 the Croatian finance ministry asked ICAEW, with finance from the World Bank, to help the Croatian Chamber of Auditors get up to speed with the European Statutory Audit Directive in the run-up to entering the EU. The primary focus was sharing ICAEW's experience in audit regulation and monitoring with the Chamber, which was seeking to develop its own Quality Assurance (QA) programme. This included hosting Croatian reviewers so they could see UK best practice in this area for themselves.

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LOCATION LOCATION LOCATION

Region as well as industry is affecting the success of businesses in Britain.

Nick Martindale tours the country to see how the UK's medium-sized businesses are coping with recession and recovery

Even as the UK basked in the warm glow of national pride after hosting what has been widely regarded as one of the best Olympic Games ever, there was an uneasy feeling that what we were witnessing was only a temporary diversion from our wider economic worries. Growth in 2012 is expected to be flat at best, while fundamental concerns remain not just about the overall health of parts of our economy but just how any turbulence in either the EU or US will impact the UK.

Different-sized organisations feel the impact of wider economic trends in varying ways. Mid-sized businesses are particularly prone to wobbles in confidence as a result of the wider macro-economic environment, says David Richardson, regional managing director at Lloyds Bank Mid-Markets, which focuses on enterprises with turnovers from £15m to £100m. There have been two notable panics over the past 12 months, he says – in October 2011 and April this year – both a direct result of concerns over the future of the euro.

Beyond this, he believes, the outlook is more promising. “Most businesses in this space are holding good positions because they’ve set themselves up to cope with today’s market,” he says. “The piece that is still missing is the confidence to invest in what they might require in three years’ time. But most people are expecting this to be a gradual climb out of the downturn rather than a huge spring out of it.”

Individual businesses with the right model and price points can continue to flourish, even in the current tough conditions, points out Rob Donaldson, head of M&A and private equity at Baker Tilly. “We see businesses which are trading fantastically well because they’re doing something different, in tune with the environment that we’re in, such as helping consumers to save money, or providing things at the right price point,” he says. “Or maybe they’re at the luxury end of the market, where perhaps they’re not as exposed as businesses that face middle-market consumers.”

For smaller firms, the outlook appears bleaker. The latest evidence from ICAEW’s Business Confidence Monitor paints a picture of falling confidence for the third

quarter of 2012. Smaller private firms reported confidence down 11.9% on the previous quarter and a more worrying long term 6.8% decline year-on-year. This matches similar findings from the Small Business Index published by the Federation of Small Businesses, which reported that almost half of small firms saw profits fall in the last three months.

Whether they are given the opportunity to do so may come down to the old question of being able to access finance. Banks remain understandably cautious about lending to smaller organisations, says Donaldson, meaning those companies may need to accept that growth has to be undertaken on the back of equity dilution rather than debt.

Yet many medium-sized firms have built up substantial cash reserves over the past few years, he adds, and the tendency at the moment is to hold on to these. “If you’re not confident, you don’t invest,” he says. “I’ve just sold one business, which had been built up over 30 years, borrowing money from the bank to finance growth. In the last three or four years it had gradually paid off that debt. When we sold it, it had £10m of cash on the balance sheet, just because it was unsure what the future might hold.”

ACTIVE ENCOURAGEMENT

Meanwhile, Richardson says funding is available from his bank for the right relationships, albeit at higher rates than may have been offered in the past. “A lot of it is about the relationship you have with your potential lender but also about how you present the latest request in requirement,” he says. “But even in the SME market, well over 80% of our funding requests get supported, and in the over £15m space it’s more than 95%. We are actively encouraging people to ask for funding.”

There have, of course, been a variety of initiatives designed to improve the access medium-sized businesses have to finance, ranging from Project Merlin to the National Loan Guarantee Scheme and the Bank of England’s Funding for Lending initiative, through to the business bank recently proposed by business secretary Vince Cable. This is something the FSB has long been advocating, says policy adviser Priyen Patel, with the hope being that funding

can be targeted around specific cases of market failure as happens with other schemes around the world.

“The Germans have a very good system, through KfW Bankengruppe – which effectively is what the chancellor is looking at, and the Small Business Administration in America has been going for 60 years or so,” he says. “Bringing the various schemes under one banner should help uptake and drive some efficiency by getting rid of replication.”

The introduction of such a scheme could even kickstart the economy by encouraging organisations to lend more of their own reserves, suggests Charlie Lawson, national director of referral marketing agency Business Network International. “If the remit of such a bank included building better relationships with the business at hand, it may address the no-man’s land of hesitation to ask for lending, fear of rejection of a loan and actually getting a much-needed financial injection,” he says. “If this proposed bank could deal with the ‘tide me over’ periods and to help fund expansion, at rates which were not extortionate, we can see a definite need for such an institution.”

The UK’s economic outlook, however, is not uniform, and substantial differences exist across its various geographic regions. The most recent Lloyds TSB Purchasing





Managers' Index painted a largely positive picture for output, with the UK as a whole recording a four-month high and moving back into growth territory.

There were, though, notable exceptions: output in Northern Ireland and the north-east both fell back further while Scotland hit a 20-month low, recording only minimal growth.

Broadly, the picture is of a buoyant London and south-eastern corner and greater challenges further away from that area, suggests Richardson; something he puts down to levels of consumer spending. In the Midlands, though, a strong manufacturing sector based around export has helped to weather the storm. "More specific to the West Midlands, the automotive sector has an air of confidence about it and is now enjoying the benefits of the relationships between the OEMs and suppliers that have been built up over very many years, and in turn that has a bearing on relationships with workforces as well," he says. Food and drink companies have also proved resilient, he adds.

There are signs that, in this region at any rate, such confidence is beginning to translate into investment. A survey by Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) found 27% of manufacturers in the region

CASE STUDY NOT SO GRIM UP NORTH



Blackburn-based Granby Marketing Services has existed in various forms since the 1950s, fulfilling promotional marketing orders for companies such as Kellogg's, Sainsbury's and Andrex.

The business has maintained a steady growth in turnover despite the tough trading conditions, increasing from £4.6m in 2009 to £5.6m in 2011.

Chief executive Stephen Bentley puts this down to a variety of reasons, including the decision a few years ago to bolster its management team with the appointment of a managing director, finance director and IT director. "It's provided a much stronger model, which is necessary when we continue to forecast growth in a down market," he says.

Diversifying into other areas of promotional merchandising, such as call-centre operations and data management, has also helped. While increasing the number of contractual relationships it has in place has also helped.

Bentley also believes the north-west is coping well with the current trading conditions, on the back of a relatively low cost base and strong manufacturing history. "There have been noted moves of business migration from overseas and the south of England to the north under the term northshoring rather than offshoring," he says. "The fighting spirit of the north, which comes predominantly from a manufacturing heritage, is never better evident than when times are tough."

"The fighting spirit of the north, which comes from a manufacturing heritage, is never more evident than when times are tough"

Stephen Bentley, chief executive



increased their investment in plant, machinery and equipment in the second quarter of this year compared to the first, while 25% of service-sector firms said they had increased investment in equipment compared to just 8% in the first three months.

Yet many companies in the area are just treading water, suggests Neil Lancaster, an ICAEW chartered accountant at Staffordshire firm Adams Moore and president of the Tamworth and Lichfield division of Birmingham Chamber of Commerce Group. "They're still in business, but their turnover is probably the same as it was four or five years ago," he says. "It's just a bit flat and they don't feel as though it's going to change for the next few years." Improvements to the road network around the Midlands have helped attract logistics companies to the region, as should the proposed HS2 rail link. Continued expansion for Birmingham Airport would also boost the area, says Lancaster, and could be an alternative to a third runway at Heathrow.

DEADLY COMBINATION

Elsewhere in the UK, the picture is mixed. Many smaller organisations have never experienced a downturn of such severity and are suffering from a potentially deadly combination of tougher contract terms and delayed payment from customers, says Vince McLoughlin, a partner at West Sussex-based Russell New. This part of the country is heavily dependent on the service sector, he adds, and has suffered from the public sector pay freeze.

He wants greater support for companies looking to hire staff. "We've had the National Insurance holiday scheme brought in but it is restrictive geographically and operationally," he says. "I would like to see a much more widespread scheme for which qualification is easier and the financial rewards are sufficient for those prepared to invest in staff. I'd also like to see an increase in tax relief for investment in plant and machinery with higher capital allowances, rather than the decrease we have just had."

Businesses in the north-west have responded well to the economic conditions by reducing overheads and



becoming more efficient, says Mark Mills, chairman of accountancy firm HURST, which has offices in Manchester and Stockport as well as London. Investment tends to trickle into the region from London, he says, but more street-wise companies are realising they can service the south from a northern base.

"The train from Manchester to London is only two hours and eight minutes and both rent and staff are cheaper in the north," he points out. The public sector cuts have been "unhelpful" he says, but adds government spend is so high that "the crumbs are like slabs of cake. Most sectors are doing well and even construction companies are starting to perk up." The area could do with "another BBC" though, he says, referring to the relocation of a large chunk to Salford.

Heading still further north, it's a different story, according to Graham Lamont, chief executive of Cumbria-based chartered accountancy firm Lamont Pridmore, where the economy

has been hit by a fall in tourism and the public sector cutbacks. "Cumbria and the Lake District are particularly reliant on the tourism sector and the Olympics, coupled with the current economic climate, has reduced visitor numbers to this region by 10-15%, with regular visitors preferring to spend two weeks in London for the Games rather than their usual weekend breaks in the Lakes," he says. "Over 20% of the Cumbrian economy relies on the public sector so the cuts are also now having an impact, particularly on the retail sector and any form of discretionary spend."

Even the south-east and Essex region is struggling, says Noel Kelleway, a partner at Rickard Keen, and a member of the Basildon Business Group. "The south-east is said to be cushioned against the worst ravages of the recession but that is not our experience or that of our clients," he says. "Our clients are telling us they lack orders and customers and that cashflow is an issue as their customers take longer to

“Our clients are telling us they lack orders and customers and that cashflow is an issue as their customers take longer to pay”

pay.” Transport costs are also making life tricky, and businesses are understandably wary of committing to any extra spend. “Confidence can be a fickle quality depending on the size of the order book or the bank balance,” says Kelleway. “It is difficult to be confident with zero growth and 2.6% inflation. The equation just does not stack up.”

For many medium-sized businesses, at any rate, the answer may be to look at new markets and opportunities in the face of depressed consumer and business-to-business demand right across Northern Europe. “We talk increasingly about global markets and when you look at places like India and China, supported by the internet, there are literally thousands of new customers becoming available every day and the fact that English is the second language in many parts of the world gives UK businesses a huge advantage,” suggests Robertson. “If you’re in a sector where product reliability is important, such as healthcare or food and drink, then having goods made in the UK counts for something. If you link that up with being able to speak the language, it’s actually quite a strong proposition.”

For Donaldson, what is required is a period of stability, and he’s more optimistic now over the potential for this to happen. “If we can have a period without worrying about Greece, Italy or Spain blowing up or about the US fiscal cliff, consumers will feel a bit more confident and businesses that are currently sitting on low-yielding cash will decide they may as well invest for the future,” he says. “The central bankers have probably bought us some time, and it does feel as if they’ve finally got ahead of the curve. That’s how economies turn.” ■

The Squeezed Middle campaign is supported by Lloyds Bank Wholesale Banking & Markets. For more information, visit lloydsbankwholesale.com/growthchampions Read more coverage of the campaign at icaew.com/economia/sqzmid

CASE STUDY REACHING NEW HEIGHTS



For Derbyshire-based crane and hoist manufacturer Street Crane Company, the past few years have seen a period of rapid growth, on the back of strong demand for its engineering expertise and product design skills from expanding markets in emerging economies overseas.

“When I started in the business in 1969 there were 60 crane-makers in the UK and virtually every one of them went bust because they didn’t keep up with product development,” says Andrew Pimblett, managing director. “We continued to spend heavily on product development but we didn’t have a worldwide distribution network.”

The business took the major business decision in the 1990s to focus on the export market, he says, and to centre its offering around product design and manufacturing specific components to avoid having to manufacture overseas or transport finished products.

With huge demand for the latest technology from emerging economies such as China and India, the business now exports what it calls “crane kits”; specific parts of cranes which can then be assembled by the client on-site. In 2012 it turned over £24.4m, up from £21.4m in 2011 and £15.2m the previous year, and around 70% of its income now comes from outside the UK.

The business has traditionally self-financed its growth; the irony of this was not lost on Pimblett when chancellor George Osborne picked it as the location to launch the government’s Funding for Lending programme in July. “It was great publicity for us,” he says. “But we’ve never had that problem.” It does, however, intend to borrow money to construct a new factory adjacent to its current premises.

The business today is well set to expand when the economy picks up, he says, targeting other emerging markets such as Russia and Brazil, as well as developing new products around specific types of cranes and lifting devices.

“We continued to spend heavily on product development but we didn’t have a worldwide distribution network”

Andrew Pimblett, managing director





CHARLOTTE PLAYER

RIISING TO THE CHALLENGE

THE ENTERPRISE ISSUE

From one of the world's most famous entrepreneurs to some less well-known start-ups, our three young guest editors take you inside the exciting and optimistic mind of the entrepreneur, from a look at the motivations for founding a business to the help available and the role of accountants in advising new ventures. First up we introduce our enterprising guest editors...

ANIL STOCKER

Anil is co-founder of next generation finance provider MarketInvoice, a confidential online trading system that helps growing businesses raise cash by auctioning invoices.

Bids come from investors who advance up to 90% up front, giving SMEs a flexible source of working capital with no arrangement fees, no monthly fees and no need for personal guarantees.

Since launching in February 2011, MarketInvoice has channelled more than £25m to more than 100 businesses.

The company is rated by startups.co.uk as one of the 20 best start-ups in the UK.

Anil and co-founder Charles Delingpole were shortlisted for Young Entrepreneur of the Year at the Growing Business Awards 2011.

Anil worked with Lehman Brothers Private Equity Group and Cogent Partners, focusing on mid-market and growth businesses, and has a double first in economics from Trinity College, Cambridge University. @MarketInvoice @anilstocker

SOPHIE MEI LAN

Sophie has turned creative talents into a business – MEI International, which offers media services, campaigns, entertainment, events and social marketing services. She also launched *Verita Magazine*, SM dance Schools and MEI Media.

In 2011, MEI International won a Successful Partnerships Award, and *Verita Magazine* won an Amnesty International Media Award.

Sophie was shortlisted for Young Business Person of the Year in 2009 and Enterprising Young Brits in 2010, named as a Hot 100 Entrepreneur and she is also a Future 100 Social Entrepreneur Winner.

Sophie studied Philosophy and Social Sciences with Italian at Manchester University where she began her media business.

She lives in Yorkshire with her daughter and delivers workshops on entrepreneurialism, women in business and how to turn a passion into a business.

@VeritaMag @SophieMeiLan

JAMES EDER

James is the Founder of studentbeans.com, helping brands and agencies engage with and understand young people. The site includes deals and discounts, money-saving advice and entertaining articles, and recently expanded with morebeans.com, focusing on life after university.

James founded the business aged 22, two weeks before graduating from university. He is an ambassador for Startup Loans and a frequent speaker at conferences, schools and universities on subjects including marketing, entrepreneurship and establishing a successful brand. He is also a guest lecturer at the University of Birmingham.

In May 2012 James was selected as part of a group of 30 Marketing Academy Scholars. He is passionate about learning and giving back and is always looking for people to join his team in north-west London.

@thebeansgroup @jameseder

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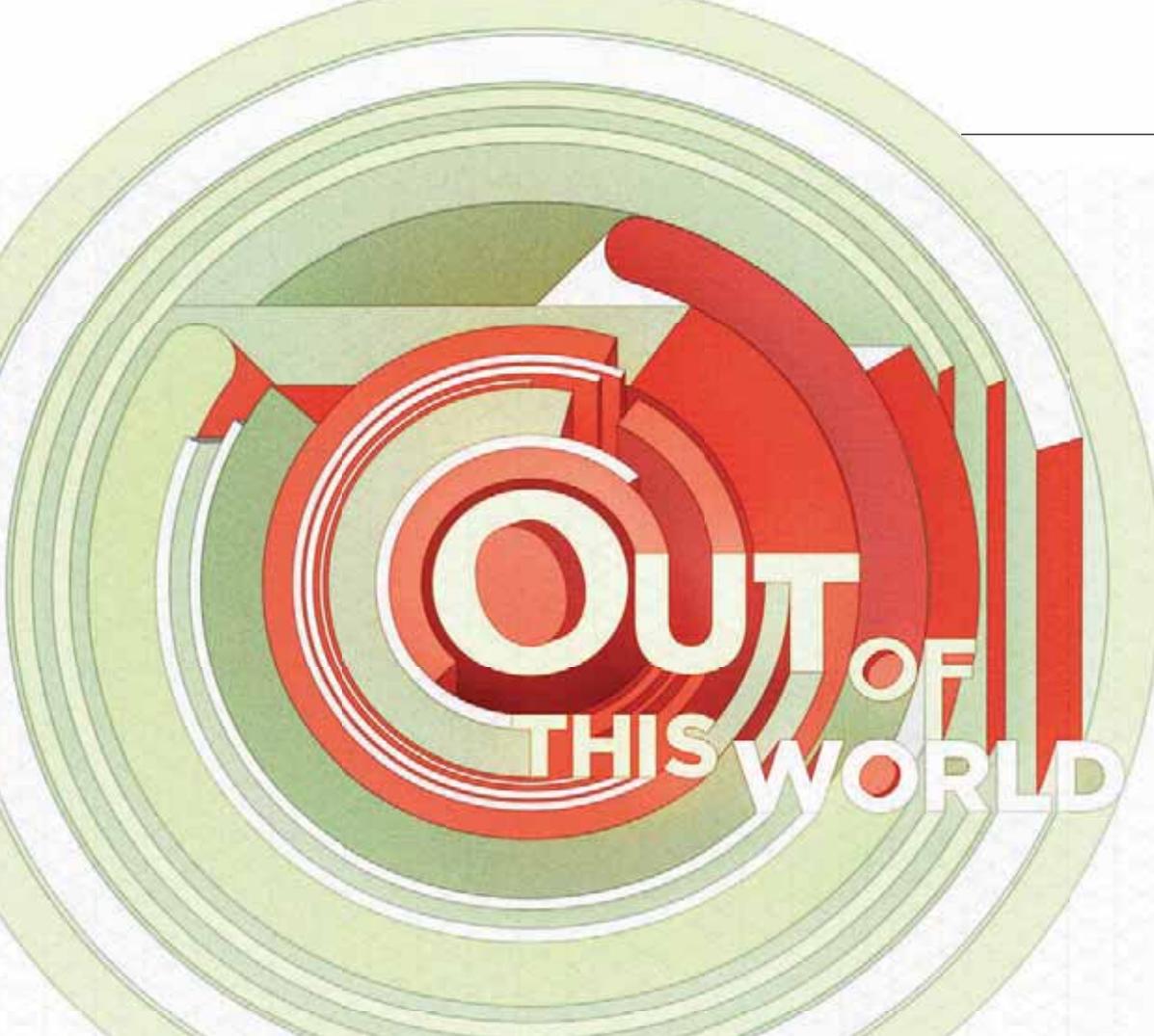
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Vision of success



Sir Richard Branson reveals to **Sophie Mei Lan** what drives his entrepreneurial spirit and the secrets of his global success

Some entrepreneurs just like to have fun. This is certainly true of Sir Richard Branson – the tie-loathing explorer and businessman. His passion for music led him to create *Student* magazine, aimed at music-loving students and funded by advertising – although his mother lent him “a small amount of money early on” to help expand it.

This was to be the foundation for his mail-order record business, which later became Virgin Records after an employee suggested the name. This developed into a multi-billion pound empire that has since created 600 companies.

Today the head of the Virgin Group owns 400 companies. But as he explains in his latest book *Like a Virgin: Secrets They Won't Teach You At Business School*, “small is beautiful”.

He says: “Virgin is considered a pioneer in many different industries based on the diversity of our businesses and our innovation, rather than the size of any of our companies. I am extremely proud of each company we have started. But more importantly, I am proud of the amazing people who have helped me and have been instrumental in Virgin's success.”

He is driven by challenges, creativity and most of all his desire for not sticking to the

rules or “business as usual”. He likes to turn the hierarchical pyramid upside-down and believes “nice guys can finish first”.

Sir Richard has finished first with a £3.4bn fortune to his name, as well as owning his own island. “I do have to pinch myself when I'm on Necker Island [in the British Virgin Isles] – I still can't quite believe it is ours,” he says.

Rich he may be, but he remains active as owner and CEO of the Virgin Group, which covers a range of businesses from health clubs to airlines and, most recently, banks. As well as his wide range of business interests, he is a consummate campaigner and an intrepid explorer. In fact, on the morning of our meeting, he tweeted from Mont Blanc, “Climbed since 2am wearing miner's lamps in the dark. 6 of #BigClimb team made it to the summit! Breathtaking, standing on top of the world.”

SMART CASUAL

Yet that evening he made it to London for our interview and to support a group of entrepreneurs – his Virgin Media Pioneers. He arrived in his usual casual clothes, his smile as broad as ever.

“I like challenges in life and pushing myself out of my comfort zone,” he says of the morning's climb. “You need to spice

up life every now and then with a bit of adventure and excitement.”

When it comes to challenges as an entrepreneur he has leapt most boundaries. “It can be a challenge not to let failure or the negativity of others prevent you from going after what you believe in and what in your gut tells you can work,” he confides. “It is important to face these challenges head-on and give them a go and importantly not to beat yourself up if you fail – just pick yourself up, learn as much as you can from the experience and get on with the next challenge.

“Challenges can also be great opportunities,” he continues. “We are facing an extreme financial crisis at the moment, but if you have a little capital and are vigilant, you may just come across an opportunity to grow and expand your business during the difficult times. Try to make the most of any obstacle that is put in your way. My granny's favourite saying was: ‘You've got one go in life, so make the most of it.’”

The tycoon has already broken world records for crossing the Atlantic in a speedboat and in his hot-air balloon, with a few failed attempts and setbacks along the way. Space Tourism is next on



“Make a difference. Entrepreneurs need to use their skills to tackle the issues that face us, and that includes not-for-profit”

his list, with Virgin Galactic’s sub-orbital space launch.

“Our first step is to prove that it is possible to take ordinary people into space, keep them safe and make it financially viable,” he says. “If this is successful then we could see a rapid change in the space and aviation sectors, with the potential to develop intercontinental travel via space.”

Unsurprisingly, Branson’s reveals in his biography that his heroes are Sir Francis Drake and Christopher Columbus. There are other key figures who have inspired him. “I have been very lucky and met some inspirational men and women over the years,” he says. “The late Freddie Laker was an extremely influential business figure in my early years. Since then Nelson Mandela, Al Gore, Mary Robinson to name but a few – people with good hearts who are not afraid to say what they believe and raise the issues for people across the world who would otherwise go unheard.”

Many see Sir Richard as outspoken, even eccentric, but his approach has made him a transformational leader who not only runs a huge organisation but has pioneered and succeeded in a number of industries. He devotes most of his time to not-for-profit work, as he believes businesses should be set up “to improve the lives of people”. This philosophy echoes throughout the Virgin Group and has led to the launch of Virgin Unite, a not-for-profit strand of the brand.

“Business is about creating something that makes a difference to people’s lives. Once business is successful it can make an enormous difference and encourage entrepreneurship,” he says. “Entrepreneurs need to use their skills to tackle the issues that face us – that includes not-for-profit.”

He cites the example of the Elders, a group of leading global statesmen and women, set up after a conversation he had with musician Peter Gabriel. “The Elders is a truly awe-inspiring group of men and women who share their experiences to help others. It is fascinating to listen to this

group of eminent global leaders and see what they are doing to find solutions for many causes of human suffering.”

Success in business, he says, means enjoying what you are doing. “It’s about creating something that stands out and everyone is proud of; being a good leader and being visible.” And good leaders have to encourage staff to be more entrepreneurial and inspire them to love the business as much as you do.

Sir Richard also emphasises the point that a successful business needs a “strong management to execute the plan and a good brand to give it the edge over its competitors.”

Accountants are at the core of every successful business, as he knows all too well. “You need to make sure you’re earning more than you’re losing otherwise the business is not likely to be around for many years to come,” he says.

The billionaire, sixteenth on *The Sunday Times* UK rich-list, knows the value of an accountant. “Our finance departments employ people who know their numbers, but more importantly they have got to ‘get’ the brand and our overall beliefs and culture. On paper one deal might look better than another, but we need to assess what would be the best deal for Virgin going forward. I’m not one of those people who think finance people can’t be creative as well – and I mean creative in a good way, by the way.”

BRAND IDENTITY

The red logo, the quirky sound bites, the cutting-edge adverts and the relaxed boss makes Virgin one of the most identifiable brands in the world.

“The Virgin brand is passionate, determined, focused on its staff and customers and has remained very curious over the years,” explains Branson. “Even today, the Virgin brand is not a product; it’s an attitude and a way of life to many. That attitude is about giving customers a better time and better value in a fun way that embraces life.

“All brands have a personality, whether they like it or not. Some are good and warm and loved, others less so. But brands, ultimately, belong to the consumer and while a business can influence its brand by what it does and how it behaves, it is what



the customer thinks at the end of the day that is the only important thing.”

The Virgin Group has had successes in so many different industries that are all done the Virgin way, even if that means they occasionally fail – remember Virgin Cola? But Sir Richard has his own take on this. “Take that leap into the unknown. I’ve taken many knocks over the years, but it has only made me stronger and more determined to succeed. I also think you really need to have the ability to listen to other people and not have too much of an ego so you know when other people’s ideas are better than yours.”

And he is passionate about encouraging the next generation of entrepreneurs through his Branson School of Entrepreneurship in South Africa. “We all need a mentor,” he says. “I started when I was 15 and I know I needed someone to turn to, particularly with accounts.

“In 2010, we launched Virgin Media Pioneers, an online community for young entrepreneurs, with the aim of helping young people realise their potential. I’m championing a cause that is both close to my heart and vital to the UK’s economic recovery.

“We are providing easy access to peers, practical advice from experts and tangible support for young entrepreneurs. These initiatives are all about trying to use our contacts and connections to change the world for the better.”

THE BIGGER PICTURE

When Sir Richard isn’t travelling (which is rare) he is on Necker Island. “I have always been lucky enough to work from home, so my kids never grew up watching Daddy leaving early for work and getting back late in the evenings,” he says. “I make time to

have fun with my family and friends, involve them in what the businesses are doing, take them on airline inaugurals, invite them to the parties we throw – they then become part of it and we all get to enjoy the wonderful opportunities that the growth of Virgin has brought.”

There is no stopping Sir Richard, even at an age when many are getting ready to put up their feet. His idea of relaxation is playing tennis and kitesurfing on the water around his island. Even the parameters of the sky fail to deter his anarchist spirit. He is in every sense an entrepreneur. ■

RAIL ORDER

In August, the Department for Transport (DfT) announced Virgin Trains would lose the London-Glasgow West Coast Rail Line to FirstGroup.

Challenged in the High Court by Virgin Trains over what Sir Richard called a “fiasco”, new transport secretary Patrick McLoughlin announced the entire process should be restarted, at a cost of £40m to the taxpayer.

Branson says that Virgin Trains will only bid again if the process changes: “It needs to be open and transparent and recognise innovation, investment and customer service and not be based on price alone.”

He then states: “No one has won out of this. The win would have been if we had been able to offer the new services and products we had in our bid. Instead we have confusion and uncertainty.”

Virgin Trains has been asked to run the line in the interim while the revised bidding process is resolved.



A reminder that starting from October 2012, all employers must enrol eligible workers into a qualifying workplace pension scheme. The date you have to do this by depends on the size of your company, but to give yourself time to prepare, visit The Pensions Regulator at www.tpr.gov.uk/actnow where you'll find out all you need to know.

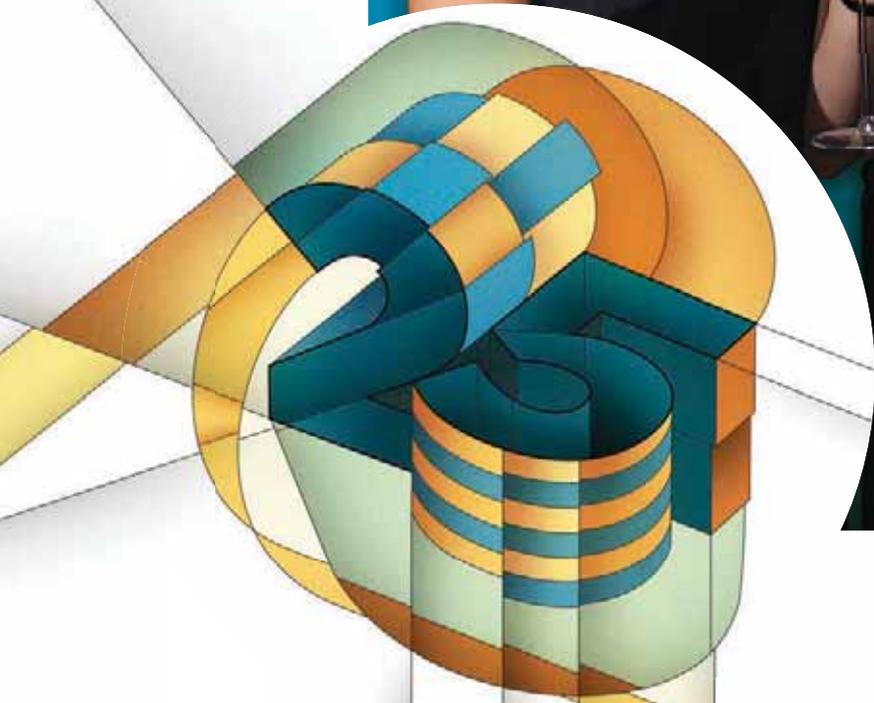
Workplace pensions. We're all in.



The Pensions
Regulator



Department
for Work &
Pensions



TRAILBLAZERS

20 start-ups making waves, and five inspirational entrepreneurs

WHITES OF THEIR IDEA

Anna Richey, Alla Ouvarova, co-founders, Two Chicks

Two Chicks produces cartons of fresh, free-range, liquid egg whites, popular in the US and now in the UK for its dietary benefits. Sainsbury's, Waitrose, Whole Foods, and Ocado stock them.

But the stockists originally took some convincing didn't they?

The initial response was sceptical but Richey says they both felt, "we are not going to give up." The business launched in 2007 and aims to hit revenues of £1m this year. The pair have been a hit with media and celebs.

Good PR, but what about finances?

Ouvarova's family friends invested £25,000 in seed capital in exchange for an equity stake; in January 2009, they secured a five-figure second round of funding from an investment fund plus family members and growth is accelerating. Two Chicks is the only liquid egg white product available in the UK and Ireland.

POWER IN PANTS

Ben Ramsden, founder, Pants to Poverty

Since starting up in 2005, Ramsden has sold around 200,000 pairs of pants, supporting 15,000 farmers in India by buying their cotton.

They're organic, Fairtrade and made in a carbon-neutral factory. Pants to Poverty is on a mission to make pants beautiful from "cotton to bottom" and is working on a "3D P&L" model built on social, environmental and financial profits.

He's a bit of a fancy pants, then?

Ramsden likes to flash his pants to draw attention to his brand and they're in the Guinness Book of Records for the most people ever gathered in a single pair of pants.

A pin-up boy for social enterprise?

Yes, and on 14 September 2012 he launched the Bonk of Pants (the bonk being a blend of bank and bond), a crowdfunding campaign. The aim is to raise £100,000 in 100 days to fuel growth and help raise brand awareness.

DOWN WITH THE KIDS

Sam Coniff, co-founder, Livity

Coniff is the articulate south Londoner behind a youth engagement agency based in Brixton, working with teenagers and young adults to co-create socially innovative campaigns that improve the lives of young people. Livity works with the likes of Nike, Google and Channel 4 proving business can impact social change and turn a profit (turnover is around £3m).

So it's a social enterprise?

Coniff is one of the government's 25 UK social enterprise ambassadors promoting responsible business practice globally. But he'd like to see a less timid sector. "It's as if social enterprises fear they'll be laughed at by hard-nosed professionals."

Who's laughing now?

A quarter of Livity's profits go into bursaries for young people and Coniff's business gets around 100 young people into education or employment each year.

ALL-IN-ONE LYCRA SUITS

Gregor Lawson, co-founder, Morphsuits

After a positive reaction to a fancy dress costume, Lawson, along with brothers Fraser and Ali Smeaton, gave up his corporate job to start AFG Media and make Morphsuits, which are popular at stag dos, festivals and sports events.

What's Morph got to do with it?

Ali thought, "everyone who wore them morphed into a more fun version". Though it's a serious business. Revenues have soared from £1.2m in 2010 to £11m in 2012.

They make it sound easy

Lawson reckons: "It's never been cheaper, easier, or quicker to set up your own business." The guys have also launched party wear firm Foul Fashion and golf clothing business Royal & Awesome. Business Growth Fund has invested £4.2m in AFG Media. Lawson says: "Over the past year we have grown by 300% and we really want to grow by another 300% this year."



Facing page: Rocktails founders Helen McAvoy (left) and Naomi Kibble. This page, top: Ben Ramsden, with pants. Above: Alla Ouvarova (left) and Anna Richey

RICK MORRIS PUSHINSKY



GOOD MIXERS

Helen McAvoy, Naomi Kibble, co-founders, Rocktails

Helen McAvoy and Naomi Kibble were advised to launch in a city or region rather than going national with their pre-mixed, frozen cocktails straightaway. They left their jobs and started trading last summer.

There's a Welsh angle, isn't there?

Having studied business at Cardiff, Kibble and McAvoy moved back to Wales to start Rocktails as they felt it would be easier to find funding. They were right: they raised £63,000 from organisations including the Prince's Trust, Shell LiveWIRE and Welsh Assembly grants.

And there's more?

The pair founded Welsh Sparks to connect young Welsh entrepreneurs. "We hope it will encourage more people to start up businesses."

A SUITABLE CASE

Ole Fjelberg, UK president, OnePiece

Born and raised in his father's deli in Oslo, Fjelberg came to Britain to study and brought OnePiece to the UK in his second year. He says the jumpsuits are "the ultimate comfort, leisure and lifestyle wear".

Giant toddler springs to mind

You'd think so, but the OnePiece is huge in Scandinavia and boyband One Direction (expected to be worth £64m next year) wear them, so...

So he's riding a fashion wave?

Yes. Fjelberg owns a share of the UK company along with the three entrepreneurs behind the Norwegian mother company. He says the hardest part has been managing logistics and accounts.

His advice?

Find the right suppliers, don't compromise on quality, make sure you're 100% square with HMRC and don't be afraid of change.

FASHION FORWARD

Tamas Locher, chief executive and co-founder, Lookk

Lookk, a disruptive tech/fashion start-up, allows young designers and new labels to promote, produce and retail their products online.

How is that a business?

It serves as a digital showroom and store: visitors vote for looks they like and Lookk uses that data to inform which designs to stock. Hungarian-born Locher says the business is harnessing the power of an open social network to grow.

Are investors convinced?

Raising money is always a pain in the ass, Locher told online magazine *Made in Shoreditch*. But he has convinced Seedcamp to back him, and is connecting with other tech entrepreneurs around London's Silicon Roundabout.

BEST OF BRITISH

Jamie Telford, Craig Matson, co-founders, Roundhouse

The owners of Roundhouse had no fears about opening a kitchen showroom in kitchen-retailer-saturated Marylebone because they're proud to be one of the few kitchen and furniture companies that manufactures in the UK. Matson and Telford have been running Roundhouse for 12 years but with international growth opportunities feel 2013 could be their year.

Any other key characteristics?

Roundhouse claims it is bespoke in the way other companies aren't. The timber is eco-friendly FSC, sourced locally where possible. A new distribution arrangement in the United Arab Emirates is underway.

What about the vital statistics?

Annual turnover is about £7.5m, 60% in retail and the rest to architects, designers and specifiers. Roundhouse employs 60 people.



Above: Dimitri Doganis. Facing page, top left: the Morphsuits crew; top right: Tamas Locher. Bottom: Julia Gash



INDEPENDENT'S DAY

Dimitri Doganis, managing director, Raw TV

Former producer, cameraman and documentary maker, Dimitri Doganis set up Raw in 2001 with a Channel 4 development deal. Raw has made shows for the BBC, Channel 4, Five, CBS, A&E, Nat Geo and others, but its US breakout hit - Discovery's *Gold Rush* - is often the highest-rated show in its Friday night slot.

Big in America I hear?

Most income is derived from the US. Of £14m turnover in 2011, just £3m came from UK commissions. Its independent status means it can pick and choose projects. "Our strategy has always been to do the best work we can and that is what builds success," says Doganis.

What's next?

Raw's ambition is to match its US success here. It has a steady income from its Emmy Award-winning Channel 4 project *Battlefront*.



LEGAL EAGLE

Craig Holt, chief executive, QualitySolicitors

Holt's ambition is to revolutionise law firms by, for example, offering the first consultation meeting free and direct lawyer contact. It is staking a claim on the high street (with a target of 1,000 locations nationally) and allegedly spent £15m on an advertising campaign. **Sounds like a proper entrepreneur** Around 400 law firms have joined with QualitySolicitors. Some have cited Holt's strategy as a fight back against the creation of alternative business structures through the Legal Services Act. Holt says QualitySolicitors makes personalised legal solutions quick, accessible and convenient.

And America agrees

LegalZoom, the US legal brand, will launch in the UK in an exclusive partnership with QualitySolicitors, combining LegalZoom's technology with QualitySolicitors' expert solicitors. "Legal services offered by supermarkets will miss the local, personal element," claims Holt.



SAY IT WITH... CUPCAKES

Amanda Perry, owner, Fancie
Former pastry chef Amanda Perry started in 2008 in her kitchen. Fancie is now an outfit with four shops, 50 employees and 10% positive year-on-year growth over the past three years.

So her dough's rising?

Cupcake kiosks in Barnsley and Doncaster shopping centres and a shop in Sheffield University's student union are growing the business further during a recession.

And the icing on the cake?

She has a committed team and celebrity fans including Lily Allen, Nick Clegg and Paloma Faith.

ECO-BABY, YEAH!

Julia Gash, managing director, Bag It Don't Bin It

Manufacturing hand-printed eco-bags for companies wanting to show off their green credentials or for shoppers with a conscience has been keeping Julia Gash busy since January 2008.

Plastic bags go bye bye?

"Plastic bags are not attractive and bad for the environment. If we can all use cotton, canvas or jute bags, then it will make a difference," says Gash.

What's she achieved?

With 16 staff she now includes the British Museum, National Portrait Gallery, Lush and Liberty as customers. The young men in her team were unemployed before they came to BIDBI. "I trained them how to print, how to design and even how to cook," says Gash.

SMELL THE COFFEE

Stephen Rapoport, co-founder and chief executive, Crashpadder

Started in London in 2008 to match travellers with residents with space to rent, the Crashpadder community had over 7,000 hosts in 100 countries by the time it caught the attention of new owner, Californian firm Airbnb.

Bean there, done that

Rapoport loves the thrill of a start-up. Which is why, although he remains as a consultant to Airbnb, he has set up coffee company YourGrind.

Small is beautiful

His new venture, which launched in September, roasts coffee in small batches, so it's at its best.

WARP DRIVE ON FILM

Mark Herbert, producer and co-owner, Warp Films

He's built Warp Films into a major force in British film, making low-budget but critically acclaimed productions such as Bafta-winning *This is England* and *Four Lions*.

What's the vision?

Developing and supporting exciting new talent – Shane Meadows, Chris Morris and Paddy Considine are devotees.

What are his credentials?

A Sheffield Hallam film graduate, he worked on *Brassed Off* and *Little Voice* before producing the first TV series of *Phoenix Nights*. Warp's TV drama, *This is England '86* was a big hit and Herbert was in the top 10 of *The Observer's* Future 500, a list of people shaping the future of Britain.



THE RUSSIAN GOOGLE?

Arkady Volozh, co-founder and chief executive, Yandex

Yandex has over 60% of the search market in Russia with 25 million visits a day and is the fifth largest in the world. When it launched on the NASDAQ in May 2011, its stock price rocketed, making Volozh's 40.5 million shares worth \$1.57bn.

What do we know about Volozh?

He's a serial entrepreneur who co-founded several IT firms before Yandex, which he started in 2000. He has a degree in applied maths.

We like his algorithms then?

Indeed, he's well respected for his entrepreneurial acumen. Yandex has cleverly expanded its services portfolio. It also has Yandex Money, an online payment system, and offers Yandex Traffic for traffic info. It's also launched a Turkish version of its search engine.

INSPIRATIONAL ACCOUNT

Duane Jackson, founder, KashFlow

After spending time in prison in his youth, Jackson turned his life around when he conceived the idea for an easy to use online accounting system for small businesses. With support from the Prince's Trust and Lord Young, he started KashFlow in 2006.

David versus Goliath

Jackson's business competes with the biggest firm in the accounting software market, Sage, so is trying to scale the business to take them on. He has 10,000 customers but is always asking how he might attract more.

Why he loves his accountant

"Accountants are naturally risk averse, entrepreneurs are the opposite. So they're great at bringing you back down to earth occasionally. Your accountant should give you advice on growing your business. My accountant, Alan, is the unsung hero behind KashFlow's success."



JINGLE ALL THE WAY

Nick Jenkins, founder, Moonpig.com

That irritating jingle hasn't stopped the founder of greeting card company Moonpig.com earning a fortune. In 2011 former sugar trader Nick Jenkins sold his business for £120m.

Where's he gone?

He has investments to look after, including Green Energy Options, an energy monitor manufacturer, and Sheerlux.com, a luxury goods e-tailer. But his former investor Lord Chandos says he won't be able to stay away from business. "He'll miss the thrill of the chase."

There's some charity work, too?

The ARK children's charity led by EIM founder Arpad Busson recruited Jenkins as its first global chief executive at the end of 2011.

THE BABY BOOM

Paul Lindley, founder, Ella's Kitchen

If it doesn't exist, create it.

That's what former accountant at KPMG, Paul Lindley did when he started organic baby food company Ella's Kitchen. He's recently won Entrepreneur of the Year at the National Business Awards and Ella's Kitchen has global sales of £50m and a 14% share of the baby food sector.

Phew! How did he do it?

Intensive market research; building a "great" relationship with the bank and sheer hard work.

But he's got a bugbear

He told the *FT* in June: "We need sustainable measures that improve the quality - as well as the quantity - of enterprises".



Above left:
Richard Moross.
Above right:
Nick Jenkins

MOO WHO?

Richard Moross, chief executive, Moo.com

The business card site recently snapped up website-making outlet Flavors.me. "It's a great compliment to our line-up, offering customers a personal web page to promote their business," says Moross.

Trendspotting not trainspotting?

Yes. Moross says he's passionate about creating "remarkable" consumer products. He likes being an entrepreneur because he gets to work with "unconventional and brilliant" people.

And he's still, er, moo-ving up?

Moo has achieved rapid annual growth. It has raised over \$5m in venture capital, employs 60 full-time staff and has offices in London and the US.

SMALL IS BEAUTIFUL

Holly Tucker, Sophie Cornish, founders, notonthehighstreet.com

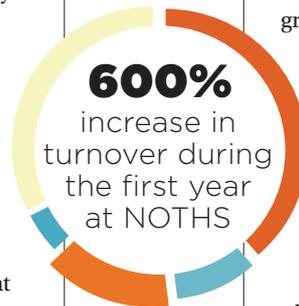
Launched in 2006 by two friends who spotted a gap for a virtual marketplace for small, independent businesses. Holly Tucker and Sophie Cornish's website achieved a 600% increase in turnover in their first year. It now has 3,000 "partners", 40 employees and a £15m turnover.

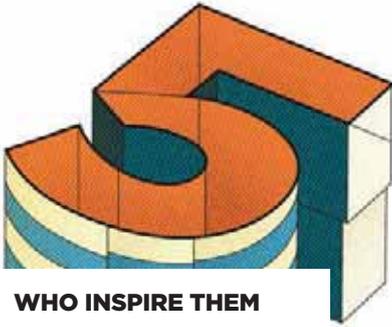
That's very impressive

Indeed, and in September they won entrepreneur of the year at the Investor AllStars Awards (the Oscars of the venture capital industry).

Do they like to share?

Tucker and Cornish's book, *Build a Business From Your Kitchen Table*, sets out their experiences.





WHO INSPIRE THEM

REID HOFFMAN

Respected for his successes in the consumer internet and online payment spaces, Reid Hoffman is the co-founder and executive chairman at LinkedIn and was executive vice president of PayPal. He says: "Entrepreneurship is about jumping off a cliff. You have to figure out what kind of founder you are - design, product or engineering - then acquire the other skills you need to get to the next level."



MICHAEL ACTON SMITH

He's experienced the dot com boom and crash with his online gadget business firebox.com and survived (by 2011 the business was achieving sales of £13m). He now runs children's gaming and social media site moshimonsters.com under the umbrella of his company Mindcandy. There's talk of Disney snapping up the company for big bucks. Mike Butcher, editor of *Techcrunch Europe*, says: "A really successful entrepreneur will walk through walls to make their vision happen."



NICK ROBERTSON

He received £24m in shares earlier this year after profits at his Aim-listed business Asos doubled to £30m. His ambition is for the online fashion retailer to be the world's number one online fashion destination with revenues of £1bn by 2015 (they were £481m in 2011). Launched in 2000 for shoppers who wanted to dress like their favourite celebs (As Seen On Screen) the business now sells labels from the likes of Ralph Lauren and boasts five million customers. What else would you expect from the great-grandson of Austin Reed? He says: "The UK represents just 3% of global internet traffic - there's still 97% to play for."

THEA GREEN

Since she started nail bar company Nails inc in 1999 with £200,000 of angel investment, former fashion editor at *Tatler* Thea Green has been awarded an MBE for services to the beauty industry and has 58 salons across the UK. Nails inc employs 450 people in the UK and Ireland and last year the business launched in the US and Canada. It turns over £22m and has performed well through the recession because it's providing women with a fast, affordable beauty treatment. She says: "I truly believe if you have a great idea and the will to succeed, anything is possible."



"You can do the usual UK thing and get yourself bought for tens of millions... If you've built big you have greater ambition"

Mike Harris, Garlik

MIKE HARRIS

His big moment was launching the world's first major telephone bank, Firstdirect as chief executive. More successes followed at UK telco Mercury Communications, which was sold to NTL for £2.5bn when he was CEO. He was chairman of the start-up mobile operator, One to One, later sold to T-Mobile for \$10bn and founding CEO of Prudential Banking and its successor, Egg. He also started up business incubator, Federation100. Of his business Garlik he says: "You can get yourself bought for tens of millions or maybe even £100m. If you've built bigger businesses in the past, as I have, then you have greater ambition... We are thinking big."

Beyond banking

When traditional finance isn't available, entrepreneurs need to get creative. **Anil Stocker** picks his way through the alternatives to borrowing from the banks

Over recent years, the media has been full of stories about banks not lending to small businesses. The figures bear this out – market research firm BDRC Continental's recent *SME Finance Monitor* found a third of business loan applications were turned down and a fifth of overdraft applications met the same fate.

Stepping into the gap are a number of innovative companies providing new funding options by using technology to deliver finance. Peer-to-peer lending (P2P), online invoice finance and crowdfunding are often referred to under the umbrella term "alternative finance". It's common for the media to confuse their functions but different types of alternative finance suit different business needs.

The Next Generation Finance Consortium (NGFC) promotes awareness

of what the alternative finance sector can do. It aims to provide insight and advice into the different methods of non-bank finance and start bridging the gap between high-growth businesses and investment. It was also established to create a link between new and traditional lending models to ensure businesses can find the right type of finance for their needs. It's important to understand that banks will always have a central role in providing finance to commercial customers – alternative finance companies won't replace them.

There's no single solution or silver bullet outside the banks for all business finance; each of the options explained here serves a different purpose for a different type of customer. Put together they are able to offer lending solutions at every stage of a business's life.

Peer-to-peer lending

Peer-to-peer lending is a process driven by advances in internet technology in the last few years. It allows individuals to lend money directly to SMEs, facilitating financial transactions between individuals without the need of a traditional financial institution intermediary; so retail investors come together to lend money to businesses, for example.

Peer-to-peer lending is a counterpart and equivalent to traditional bank loans. It isn't really appropriate for start-ups, and is more for SMEs in need of traditional debt finance. The advantages are that the process is usually much

faster, requires less tedious paperwork than a traditional bank loan, and lenders will take on many businesses that have been rejected by traditional banks.

Typical example Funding Circle, a UK P2P website. It has provided almost £50m in funding to UK SMEs in the last two years.

Best for Established businesses looking for a loan without the hassle of going through a bank.

Example of a business using it Ground Coffee, an award-winning coffee shop in Brighton, raised £40,000 to expand its premises. The money was sourced from 200 investors at a rate of 8% APR.

Online invoice finance

Online invoice financing raises money by factoring in a long-existing type of asset-based finance that allows businesses to raise working capital through the selling of debtor invoices. Businesses can obtain cash with factoring and other forms of invoice finance, rather than waiting out the long payment terms large customers demand, commonly between 30 and 90 days. These traditional forms of invoice finance have a bad reputation: lack of transparency, high fees and demanding onerous guarantees.

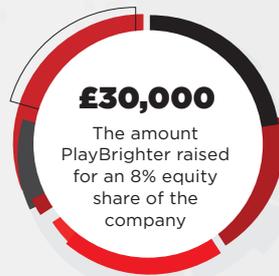
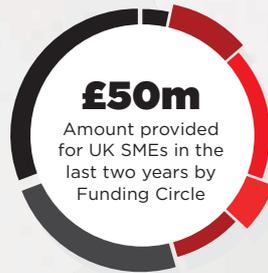
With improvements in technology, the industry has been revolutionised by innovative online marketplaces for invoices (almost like eBay for corporate finance), which enable UK businesses to grow by “selling” invoices to a global network of professional investors, via online auction. Businesses receive cash overnight, with no onerous lock-ins, personal guarantees or debentures.

Compared with a loan, online invoice finance is much less of a long-term commitment, less collateralised and more scalable. These new marketplaces connect SMEs in need of working capital to professional, institutional investors.

Typical example MarketInvoice, my own company, which has channelled £25m to over 100 UK businesses with turnover ranging from £500,000 to £20m.

Best for Businesses with blue chip customers, who need working capital to finance expansion.

Example of a business using it Connected Pictures, an award-winning multimedia production company with blue-chip clients taking between 90 and 120 days to settle invoices. The company has regularly auctioned invoices to obtain instant cash of up to 85% total invoice value, with fees as low as 1.25% of invoice value.



“Being in the right time and place when starting could be luck. But successful entrepreneurs put themselves in that position”
James Eder, the Beans Group

Crowdfunding

Whereas peer-to-peer lending and invoice finance are for more established small and medium-sized businesses, crowdfunding is a great option for start-ups. Indeed, very few banks are willing to lend seed capital to new businesses. Crowdfunding websites used to focus primarily on social ventures and creative industries (the prime example of the genre is the US website Kickstarter), but the idea of gaining finance from a number of individuals has now entered the mainstream.

This is where equity crowdfunding comes in. Equity crowdfunding is the process of receiving funding from many different small investors in return for tiny portions of equity; very similar to a traditional angel investor model but expanded for the social media generation. Online crowdfunding facilitators give investors the chance to buy micro-size slices of equity in start-ups. While it can take a while to secure funds, crowdfunding has the benefit of giving SMEs access to a much wider pool of investors and the expertise that comes with them.

Typical UK examples Crowdcube, a website launched in 2010, has helped 21 entrepreneurs raise £3.7m. Seedrs, launched earlier this year after receiving FSA approval, funded three businesses within its first month of business.

Best for Pre-revenue start-up businesses looking for seed capital.

Example of businesses using it Escape the City, a business aiming to help ambitious professionals make career transitions, raised £600,000 for 24% of their company through Crowdcube. PlayBrighter, a Welsh start-up making educational games for classrooms, raised £30,000 for 8% equity from Seedrs. ■

GOING IT ALONE

What makes someone an entrepreneur, and what motivates them to take their chance on a new idea? **Sophie Mei Lan** reveals the recipe for success

Entrepreneurs have the potential to play a major part in helping to pull the economy out of recession. In previous downturns, notably the 1980s, high rates of unemployment led to an exponential growth in self-starters and those who aspire to work for themselves.

And accountants are also playing their part in this rapid growth in start-up businesses, with many abandoning the corporate grip of a large practice to establish their own firms. But while the workforce's visions are changing to become more creative and dynamic, there is a notable lack of research on what qualifies someone to be an entrepreneur.

Entrepreneurial activity is a vital part of national economic growth and development, believes Robert Bednarzik, visiting professor at Georgetown Public Policy Institute. He thinks it promotes innovation, fosters job creation and encourages global competitiveness for firms and countries.

This view resonates in today's economic climate, with government incentives and an increasing number of individuals seeking the entrepreneurial life, despite the financial, managerial and personal challenges of becoming an entrepreneur. For many individuals, this route represents both an escape from life in a traditional organisation or bureaucracy and an opportunity to generate greater personal wealth.

What's more, according to the Department for Business Innovation and Skills (BIS): "Small and medium-sized businesses provide nearly 60% of the UK's jobs and 50% of GDP,



REWARDS OF GOING IT ALONE

Jonathan White set up his own accountancy practice after 10 years of being "bored and frustrated" in the corporate sector. "The best thing about running my own business is the interaction with my clients and their varied businesses," he says. "I also enjoy how rewarding it is to run a profitable business that I have built alone, and the flexibility it gives me when I need it.

"I never imagined how much hard work, determination and enthusiasm was needed to succeed. I also never imagined how rewarding it would be to succeed in business. People who have never been in that position have no idea of the risks entrepreneurs have to take to succeed and how hard and rewarding it is."

hence the current government being committed to a comprehensive effort to prioritise small businesses and those that run or aspire to run them.”

THE ENTREPRENEUR TYPE

The popularity of TV programmes such as *The Apprentice* and *Dragons’ Den* has raised awareness of entrepreneurialism, but such shows portray only certain aspects of being an entrepreneur and they aren’t always reflective of everyone. As Dr Panni Loh, director of Kutien Arts, explains: “Being creative, taking the initiative and seeing things from a perspective that’s outside the mainstream are what it takes to be an entrepreneur.”

James Wilson, the founder of We Love Sleep, a producer of natural, organic sleep aides, agrees: “Television doesn’t help to dispel the myth that you have to be a certain type of character – pushy, aggressive, willing to step on others – to be successful in business. I really don’t agree with this. You use who you are and create a business that mirrors your personality.”

Lord Alan Sugar, the former enterprise tsar and star of *The Apprentice*, claims that no one should ever call themselves an entrepreneur. Rather it is a quality others should see in you and use to describe you.

“An entrepreneur is someone who runs innovative and forward-thinking businesses as well as constantly exploring new opportunities,” explains Chris Hale, a qualified business manager and managing director of Acclimatise Me, an attitude training company. “I call myself an entrepreneur because it affects my mind-set and makes me more open to new opportunities. The term ‘entrepreneur’ can make someone more dynamic and it prevents them from seeing themselves as just a salesman or business owner, but rather as someone who has the creative potential and drive to achieve great things.”

But Gita Mistry, winner of the BBC’s *Britain’s Best Cook*, who now runs her own company, disagrees this should be an issue: “Language doesn’t matter at all. I did not know how to spell the word ‘entrepreneur’ when I started, nor did I have family or friends that had businesses, although I did see entrepreneurial characteristics in both of my parents. I am not big on titles and the word ‘entrepreneur’ can at times be an obstacle to newcomers who have a great idea that could



BENEFITS REAPED FROM TAKING THE LEAP

Julia Whelan and Anna Madden met at KPMG in Birmingham and set up Bromsgrove-based Curo Chartered Accountants in 2005.

“It was frustrating at KPMG because if you wanted to do something better it wasn’t always possible,” says Madden. “We went from great jobs to no clients. It took real self-belief. Once we’d left KPMG we were suddenly responsible for everything, including marketing and advertising. It has been a steep learning curve. But it’s nice to have control over your own future.”

“We have a forward-thinking company that serves the community outside the traditional setting. We offer a Big Four-style service without the high fees. Initially, it was hard to establish ourselves as we acquired our own clients. It’s difficult to attract the right level of staff when you’re not established. It was a great leap of faith for experienced people to join us.”

Another challenge was being two female partners “There were no female partners in

Worcestershire at the time. Instead of using our names, we decided it was better to call it Curo.

“Much of our work is for corporate clients. We also work with larger practices, in a support role (preparing pre-audit files) and often doing auditing and accounting work.”

“The practice now has 13 permanent staff with external consultants used for specialist areas.”

Whelan says because of the financial background, accountants make good entrepreneurs “We’d call ourselves entrepreneurs not accountants now. I highly recommend taking the leap.”



PASSION OF THE SERIAL ENTREPRENEUR

Paul Jenkinson is a former Deloitte employee and the founder and managing director of Jenson Solutions, a firm offering a range of services including corporate finance and outsourcing to high-growth companies.

"I qualified in 1994 as a chartered accountant with Deloitte, and then moved into corporate finance. Then I rejoined Deloitte and spent two years working on larger buyouts, mergers and acquisitions and corporate disposals for private and public companies.

"At that point I knew that I needed more of a challenge. I felt as though I just wasn't being intellectually and creatively stretched enough. The bigger firms are extremely good at what they do, but the hierarchies can be frustrating. With early-stage companies, it's better because it is easier for someone to make an immediate impact.

To get that extra challenge, Jenkinson set up his first business and quickly got the bug for life as a serial entrepreneur. "I set up Jenson Solutions and co-founded a software company that we grew substantially and sold to a US quoted company. I have also co-founded an audit practice, Cornel Partners.

Never one to miss an opportunity, earlier this year Jenkinson also set up Jenson Funding Partners, a fund management company.

"I rode the roller coaster of the dotcom days and learned a huge amount from that. But I love this work. The variety is incredible, the obstacles are real and exciting, and it has quenched my thirst for intellectual and creative challenge.

"Some of the UK's most successful entrepreneurs have achieved what they have because they have that burning desire to do it. Nearly anyone can run a marathon, but you have to really want to do it and you have to be willing to make sacrifices to achieve it."

He says being an entrepreneur is the same. "You do it because you have to, because it's a passion that burns within."



"I rode the roller coaster of the dotcom days and learned from that. I love this work. Even the obstacles are exciting"

Paul Jenkinson, Jenson Solutions

go to market but are daunted, believing that success is not possible for them."

MOTIVATION'S WHAT YOU NEED

In truth entrepreneurs are not easily defined and there is little clarity on what characteristics and motivations people need to possess to be seen as one. Even if we could pin them down, are these traits learned or inherent?

Entrepreneurship courses are now taught in the UK's colleges, schools and universities. The Peter Jones Enterprise Academy set out to be "a catalyst for cultural change, by bringing the boardroom into the classroom". The Academy holds courses and workshops on becoming an entrepreneur and claims that "entrepreneurs are not born, but they're made".

But where does this leave so-called accidental entrepreneurs? Amanda Perry's story exemplifies this sort of happy accident. Bored with her job in telecommunications, she decided to follow her passion in baking. She now runs Fancie, a cupcake company with shops across the north of England as well as a huge social network following.

"Just because it is believed that business will bring the country out of recession, it does not mean every 18-year-old should be driven into business and entrepreneurship courses," she says. "Lots of bad businesses will damage the economy more than having fewer businesses."

But maybe Perry was more destined to the entrepreneurial life than she claims. "I never really felt part of the corporate world. I was good at my job but didn't like the boys' club mentality and couldn't make sense of

processes and procedures put in place to ensure everyone was programmed the same way. Something had to change, and so I went back to my passion for food and specifically cakes. Within six months I had left my job completely and became an entrepreneur."

It is not uncommon for people to be led by creativity. Julia Gash, managing director of Bag It Don't Bin It, started up the eco-friendly bag printing company and within four years had a £1m turnover. Yet her main motivation is not money but "creative fulfilment".

MOTHER OF INVENTION

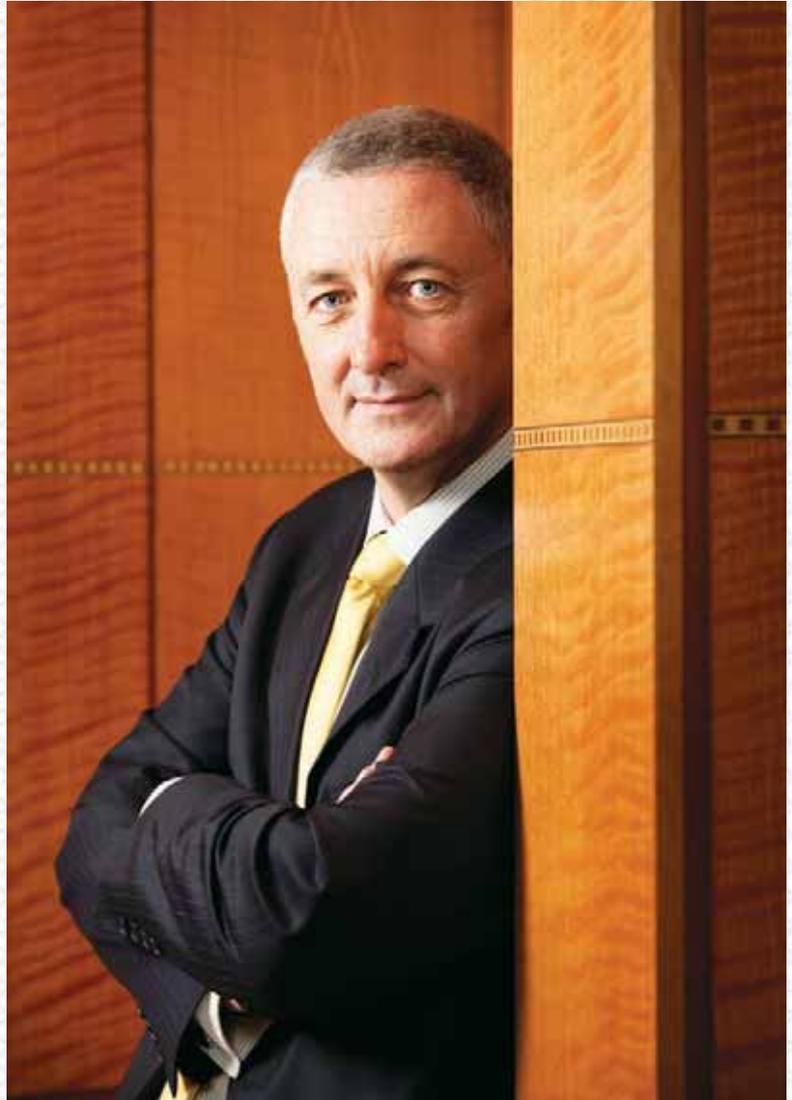
Other entrepreneurs are driven by necessity. Lottie Bennett, managing director of Pawsitively Pets, explains: "I needed it to find a way into work with my illness and disability [a life-threatening vascular condition]. I struggled to hold down a normal job where I was employed by someone else, but with my own business I can have some flexibility. If I'm not well, I can do my paperwork in bed and don't have to make myself look presentable."

For Bennett, success is about much more than financial rewards. "At age 14, I almost bled to death from a blood clot that had moved to my heart. The fact that I'm now 24 years old, have my own business, my own family and love the work I do is my success story. My business doesn't make a lot of money - I didn't choose to work with animals to make lots of money. I realised that life is too short to be stuck doing things you don't want to do just to meet the social perception of being successful. Money won't buy happiness but a life of doing what I love as a job, making a difference to people I work with and changing their lives for the better will make me far happier than any amount of money really could."

There is no simple way to gauge the success of entrepreneurs. They are individuals and each individual has their own set of values and beliefs to measure success. Success for one person might mean running their own business to get a better work-life balance, while another might want to make a positive social change. Yet others will measure success purely in terms of financial returns.

Often people embark on the entrepreneurial journey with a mix of personal desires and motivations that are enough to encourage them to leave the security of employment in order to achieve personal and professional fulfilment and, ultimately, to be of value to society. ■

DOMINICK TYLER

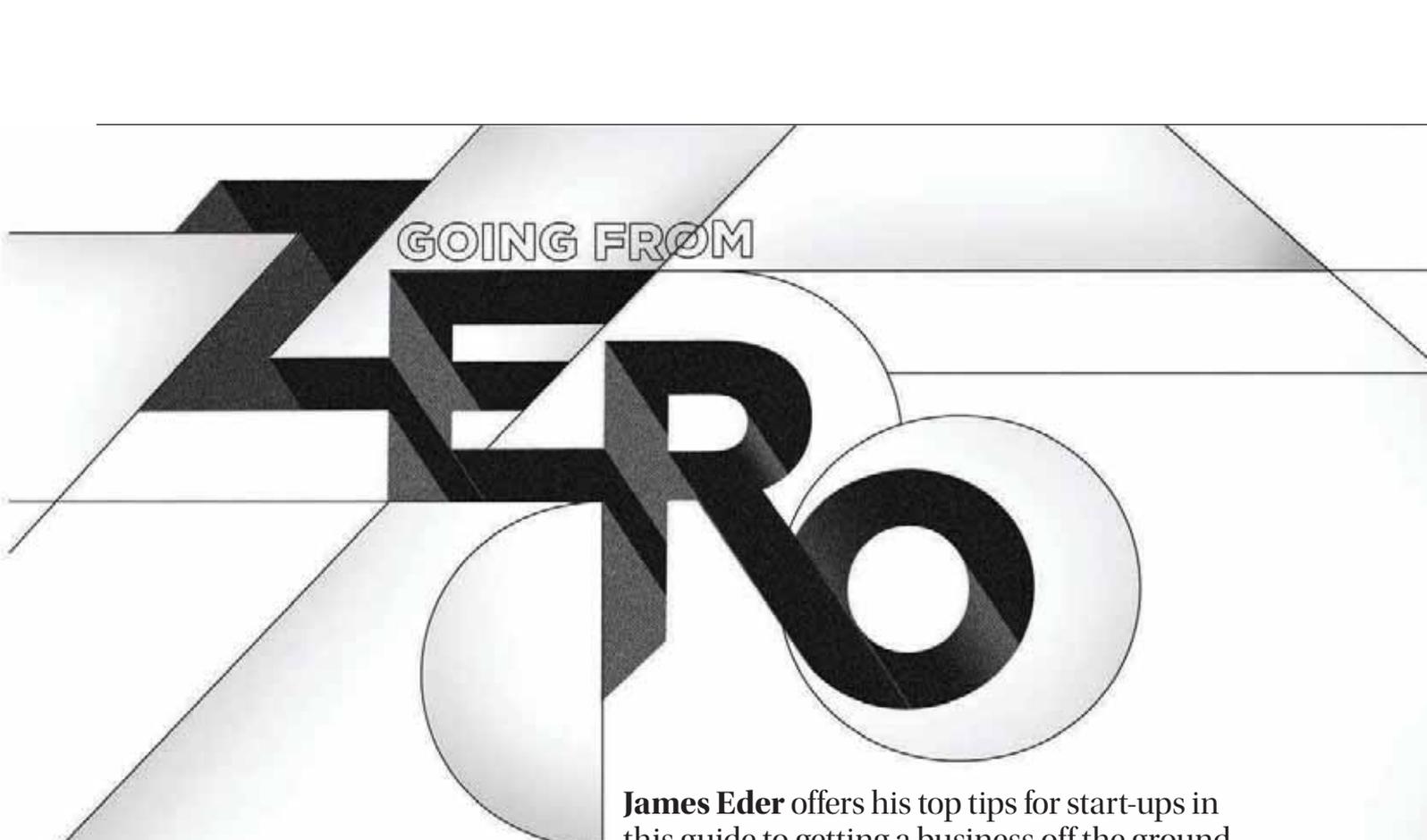


FINDING A NEW DIRECTION

David O'Keeffe, 52, is a former tax partner with KPMG. He now practises as an independent specialist corporation tax adviser. "I left KPMG when a change in leadership of the tax practice made it clear that my plans for the growth of my business didn't fit with the new direction of the practice," he says.

"Life as a sole trader is very different from being a partner in a Big Four firm. On the downside, there is greater uncertainty over cashflow and I don't have the support and backup of the large organisation. But on the plus side, I don't have to deal with the politics and inertia of a large organisation.

"My motivation is to build a successful business that allows me to enjoy life. I aim to be able to work as hard as I want while at the same time being able to enjoy time with my family and my non-work interests. I think that everyone has the capability to be an entrepreneur but it is a lifestyle that may not suit everyone."



GOING FROM

ZERO

James Eder offers his top tips for start-ups in this guide to getting a business off the ground

There are lots of challenges involved in setting up a business, but one of the most difficult things is simply getting started. So you have an idea. Now what? There tends to be a natural fear of giving things a shot. But with the current economic climate as it is, it's fair to ask whether there is more risk in working for someone – where you could be laid off at any time – or in setting up on your own and being in charge of your own destiny, knowing that even if it doesn't work you've had a crack?

On top of this there is the old adage that businesses set up in a recession tend to be more robust, built, as they are, on more viable models for the long-term. US author and film-maker Joel A Barker described this well when he said: "Vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world."

There is a perception that starting a business requires significant funding, but an essential part of being an entrepreneur is being resourceful. Seven years ago, when my brother Michael and I were looking for an initial start-up loan to get our idea off the ground and had been rejected by the bank, we received a low-interest, £3,000 loan from The Prince's Trust, as part of its Enterprise Programme.

The funding helped us to print promotional materials and get our website up and running. But it was not just about the money, it was about the

advice and support, which in the early days was invaluable.

When we started there was nothing like the support networks there are today, with initiatives such as Start-Up Loans, the Gradpreneur Club, the National Consortium of University Entrepreneurs (NACUE) and enterprise societies at universities.

Start-Up Loans (startuploans.co.uk) is a fantastic scheme led by James Caan and Lord Young where young people who are interested in starting a business can apply for a loan and get access to vital personal support and mentoring.

MAKING THE MOST OF LIMITED FUNDS

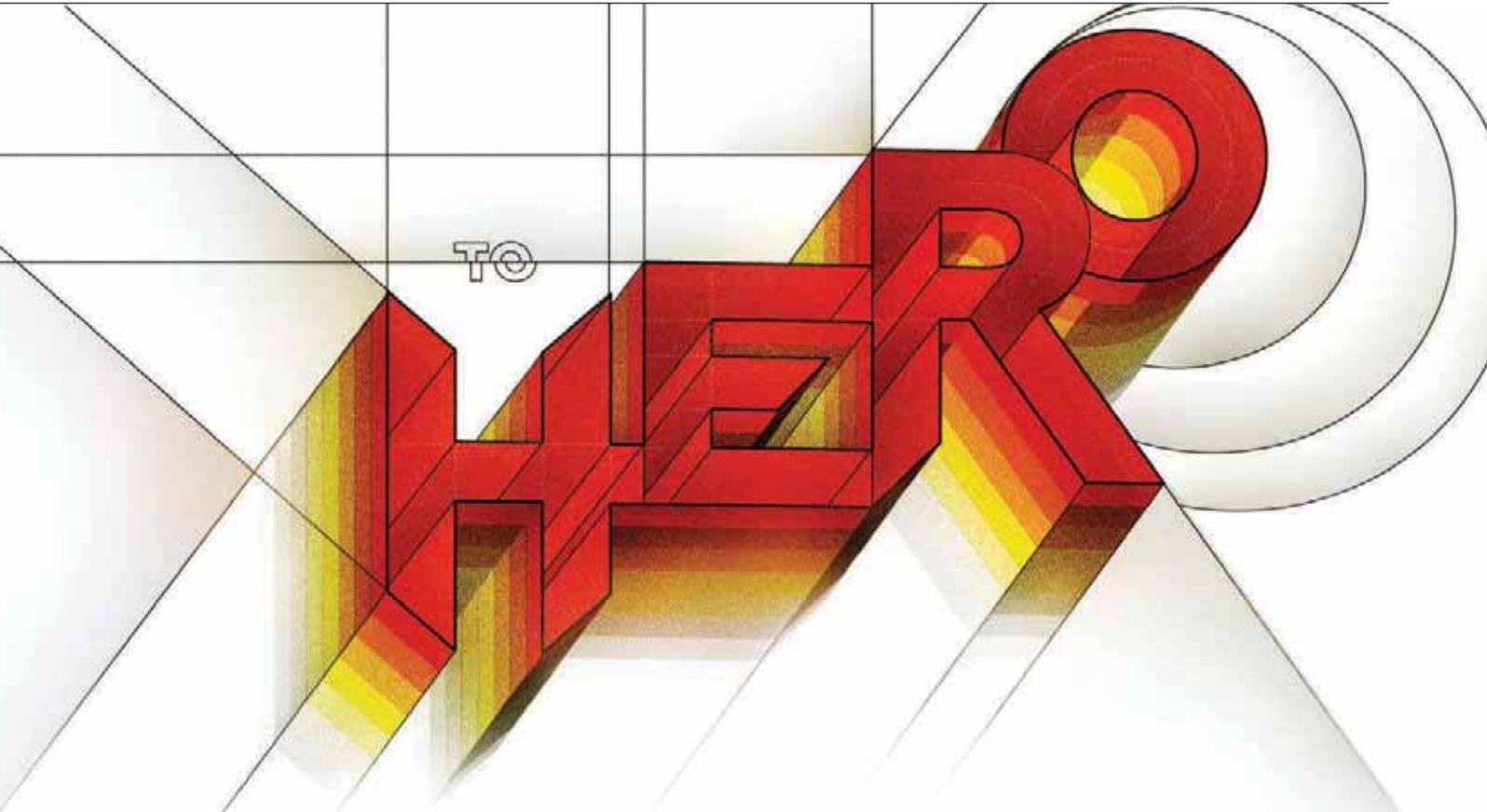
When we were starting up we didn't have much funding. We bootstrapped it and had to be resourceful, creating opportunities and bartering deals to get things we couldn't afford. Rather than access to millions of pounds, what people really need to start or develop a business is access to people, relationships and strategic networks. By meeting, speaking and listening to those who have been there and done it, you can gain the knowledge and support to set up your business.

After we launched in Birmingham, one of our biggest costs was travelling across the UK and setting up again in each city. Sleeping on friends' floors was OK for a bit, but I was working such long hours I needed somewhere better to stay. We approached the Accor Group of hotels, owners of Novotel and Ibis, and in exchange for some advertising on our site they gave us over 70 nights' accommodation anywhere in the UK – and included breakfasts that stocked me up for the day.

FINDING EXPERTISE AT A FREEMIUM

There are a number of cheap or free business tools that can make the difference between the success and failure of a company. Highrise (highrisehq.com) is a contact management system that revolutionised the way we did business. We work with some of the nation's most-loved brands, but it's the people behind the brands with whom we have the relationships. Highrise keeps track of people and conversations across the whole business.

We use KashFlow (kashflow.com), an easy-to-understand



online accounting system. When you start out, an unpaid invoice can be the difference between success and failure; KashFlow integrates with the tax system to produce fantastic accounting and management reports.

We use Thomas Higgins, solicitors who specialise in debt collection. They issue a letter – it costs us just £2.50 each time – before taking further action.

When it comes to IT, we use Dropbox and Google Apps and all our work is stored in the cloud, meaning we can work anywhere – ultimately this can even remove the need for an office.

GETTING THE RIGHT PEOPLE

Hiring someone for the first time was a huge responsibility. When we started, Michael and I did everything. But to grow the business, the key was building a team around us and ensuring they could and would take responsibility not just for their role but for the business on a wider level.

It's important to gather like-minded people. As you start to grow and become more connected there are places like campuslondon.com that are free to use as a space where people can collaborate and learn together.

One book that was recommended highly to me was *First, Break All The Rules* by Marcus Buckingham and Curt Coffman, and I couldn't pass on that recommendation more firmly. It is all about allowing, and supporting, people to play to their strengths. The best people

are those who understand that a start-up isn't about a set job or way of doing things, more a way of life – we're constantly recruiting and people who work with us have a real opportunity to help enable the business to grow, contribute and make a difference to The Beans Group, our users, the team, brands, partners, suppliers and everyone that comes with it.

WORKING IN A START-UP

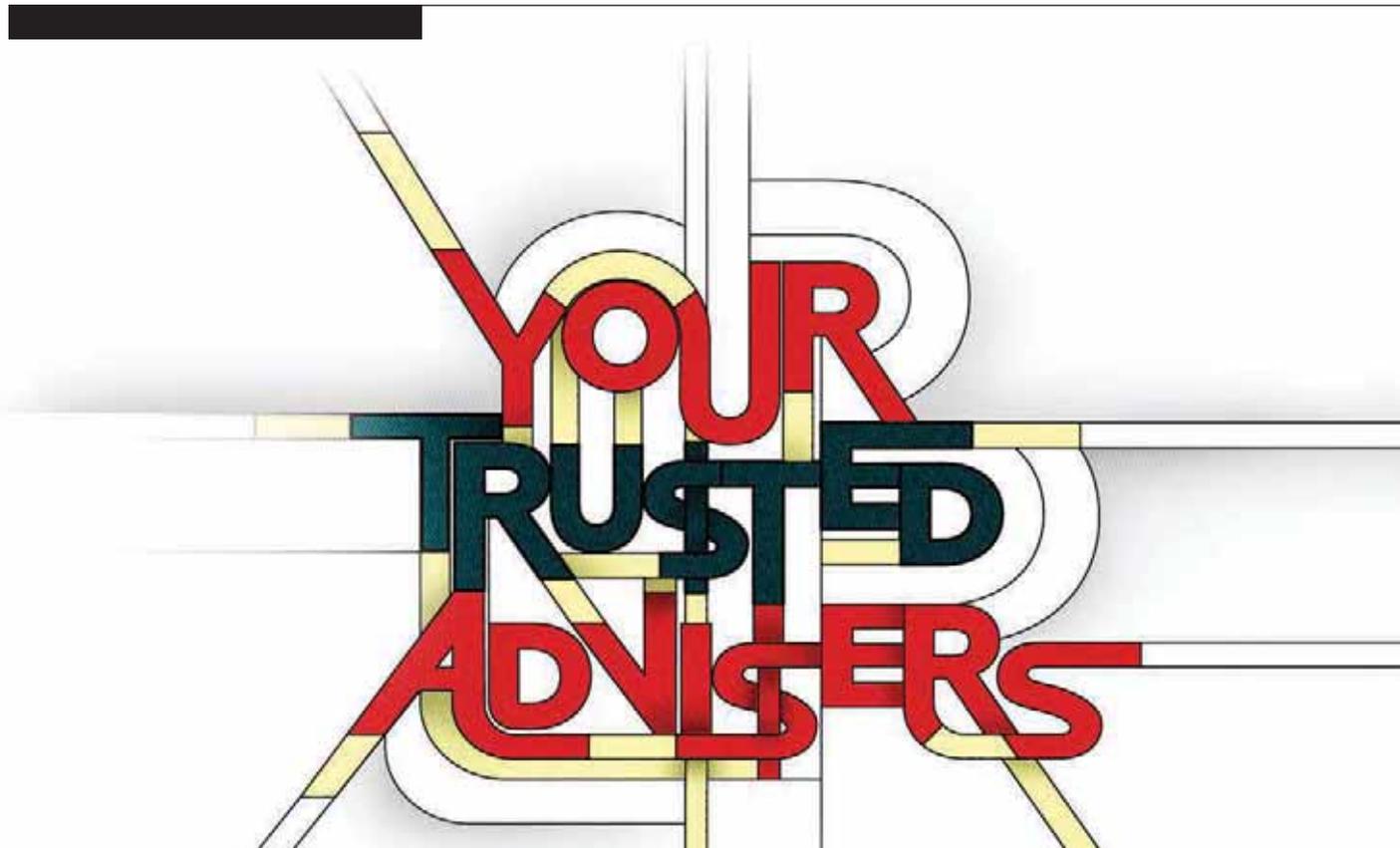
Start-ups offer opportunities for those with a finance background to join an entrepreneurial environment and really make a difference. Understanding the workings of a more established business environment, its structures and processes can be a great asset to a growing business.

A varied role could include everything from being involved with the strategic planning, budgeting, forecasting and reporting, producing the management accounts and ensuring commercial alignment and structure for growth. For the right person, the opportunities for a finance director or chief financial officer to develop quickly into a core member of the team are more open and obvious than they might be in an established business. You have to be the type of person prepared to get your hands dirty, understanding that the more you give, the more you'll gain.

USING A GOOD ACCOUNTANT

Many start-ups think they don't need an accountant from day one, but they are essential for the running of the business. Our accountants, Gross Klein, help us with our end-of-year tax returns, payroll and PAYE. The key thing is finding an accountant who supports you. It shouldn't be hard work dealing with them. An accountant should be an extended part of your team, and always there to help. New business owners often don't know the right questions to ask, let alone the answers.

If they are to add value, accountants must work out the challenges clients face and support us as we grow. They can become an invaluable resource if they really connect with the founders and get to the heart of their business. They can be the factor that really makes the difference. ■



A good accountant can make or break a new business. **Liz Loxton** discovers how to ensure you add the most value to your start-up clients

From an accountant's perspective, start-ups present an interesting conundrum. On the one hand, they are notoriously vulnerable and not the most reliable source of payment. On the other, the right person with the right idea, given the right support, may just become the long-term client that keeps on giving.

WHEAT FROM THE CHAFF

Bobby Lane, partner at central London chartered accountancy firm Shelley Stock Hutter, specialises in advising start-ups. Typically, he says, they fall into two camps: those with both a business plan and some experience of running enterprises and those with neither.

Even a formal business plan from an experienced hand will probably need a sanity check. But he would expect to ask both groups for a realistic assessment of how they intend to fund the business.

Assessing the potential of a start-up, says Baker Tilly business advisory partner Danielle Stewart, means working through the business plan to find out how much forethought has taken place. Surprisingly often, she will find herself pointing out that a £5m turnover based on the proposed hourly rate or unit cost is impossible.

ASKING THE RIGHT QUESTIONS

Assessing the level of personal expertise of any would-be entrepreneur is equally important, she says. Whatever the market sector, Stewart always determines the level of experience and expertise of the proposed management team to her own satisfaction.

Lane also questions how much risk the individuals are prepared to take. Banks and other investors will want to know the entrepreneur is prepared to risk some capital or assets. He sees it as his role to ensure they are realistic, however, and that if the business fails, the owner is able to recover.

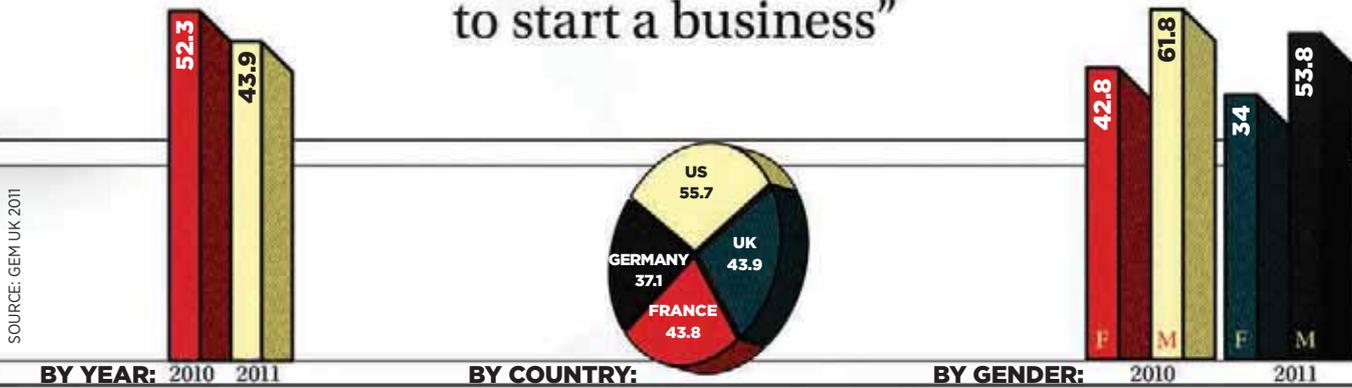
Stewart believes accountants can best add value by talking through any existing start-up plans early in the initial consultation. "Going into areas of weakness - whether it's an assessment of the competition or funding issues - they suddenly realise that they are getting some clarity," she says.

ATTRACTING AND KEEPING CLIENTS

Once a start-up is up and running, the level of assistance can reach beyond traditional areas. Lane says he assisted one client, hair colour specialist Four, with an initial business plan, sourcing funding, handling landlords and running the back office from day one. It's clear then, that servicing start-ups requires an

The following agreed with the statement below:

“I have the skills, knowledge and experience to start a business”



SOURCE: GEM UK 2011

“above and beyond” approach to relationship management, he says. That means ditching the nine-to-five mindset and time-sheet mentality, much as the entrepreneurs themselves will have done. “It is important to be supportive right from the start. In the early stages, entrepreneurs have lots of questions. And typically those won’t occur to them at 3pm. It’s more likely to be 10 o’clock at night, when they’ve finished selling for the day and panic has set in.”

As businesses become established, contact should be regular and frequent. Stewart says these clients will fly away if they sense your interest waning. “You can’t leave them alone; you have to be in contact,” she warns. Keeping in touch can lead to more assignments and value-added work.

Some voice concerns about talking themselves out of business by recommending financial software or the services of others. But Stewart says that if a client’s business is getting stronger, accountants should be ready to let go of rudimentary work such as bookkeeping in favour of higher value advice later. “At the start, you do everything for them. As they grow, it becomes less cost-effective for them to farm that work out to you. Their needs will change and you will lose work initially, but you will gain in the long-term.”

ICAEW’S BUSINESS ADVICE SERVICE

Through ICAEW’s Business Advice Service (BAS), owner-managers and entrepreneurs within the UK’s SME sector can now access a free consultation with chartered accountants across the country. Firms participating in the scheme will provide advice on the key

challenges for small and growing businesses – accessing finance, creating jobs, meeting tax and regulatory requirements and planning for long-term growth. The service has its own website at businessadvice.service.com ■

FROM TRUSTED TO MOST-VALUED

Duncan Cheatele started his career in practice, qualifying with Coopers & Lybrand. He went on to found the Prelude Group and the Supper Club. He has since chaired over 450 roundtable discussions with entrepreneurs and has advised over 1,000 businesses. He is also a co-founder of Start-Up Britain and sits on the board of the Start-Up Loan Company.

He agrees that accountants need to do more to add value to entrepreneurial clients. “Research shows that, aside from friends and family, accountants are the most trusted business advisers. That’s good, but for some reason they seem to miss the mark when it comes to adding perceived value.”

According to Cheatele, an example of this was the way entrepreneurs were let down by accountants unable to advise them on R&D tax credits. “It was a scheme that could make a difference, but several members told me accountants didn’t get it.”

Cheatele adds there may be a cultural issue. “Accountants are by training and nature prudent and cautious, while entrepreneurs are all for taking risks. Being trusted is good, but its time we moved to being most-valued. That requires a better knowledge of what entrepreneurs need.”

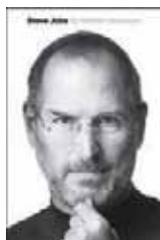
Can you really learn business from a book? **Penelope Rance** delves into a sea of self-help and how-to tomes and pulls out a few pearls of wisdom

Guides to greatness

STEVE JOBS

Walter Isaacson
(Little, Brown)

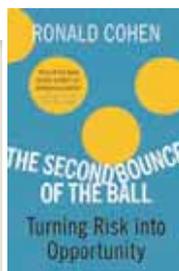
Commissioned by the subject nine years before his death, this candid biography was intended to show Jobs the man, warts and all. A final stab at immortality, it is based on exclusive interviews with Jobs by the biographer of Benjamin Franklin and Albert Einstein. Beyond the choice of author, Jobs apparently relinquished all control of the book, and as a result his flaws as well as his soaring achievements are duly documented. And in this lies its value to the budding entrepreneur. Jobs's career, which began when he arrived in Silicon Valley with no qualifications and little experience, was built on a series of failures. Famously sacked by the board at Apple, his return a decade later now eclipses the rocky times between – but it is there that the true lessons lie.



THE SECOND BOUNCE OF THE BALL: TURNING RISK INTO OPPORTUNITY

Ronald Cohen
(Weidenfeld & Nicolson)

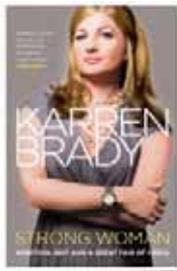
It's Andy Murray's worst nightmare, but for new entrepreneurs, taking advantage of a second bounce of the ball at a crucial moment can mark the difference between success and failure. Cohen's theory is that it's easy to see the first bounce – that one big idea – but real success is gained from understanding where it will strike again, where the next big growth area will be. Drawing upon examples from his own company, Apax Partners, as well as Waterstones, Yell, Calvin Klein and Travelex among others, the author lays out the building blocks for successful enterprise – people, money, ideas and luck – and allows readers to judge whether they match up to the model. First published five years ago, the book's tenets are still relevant today.



STRONG WOMAN: AMBITION, GRIT AND A GREAT PAIR OF HEELS

Karren Brady (Collins)

Not just for women. Really. Anyone can draw inspiration from Karren Brady's story of taking chances on the things you believe in. More autobiographical than self-help book, it nonetheless contains many principles of business that offer guidance for those running their own companies. From ad sales to football boardroom, Brady's is a story of impressive ambition, combined with a desire for a life outside work with a husband and children, and fortitude in surviving an aneurysm and brain surgery. It is, of course, also a handbook for women trying to make it in a man's world.



FROM VISION TO EXIT: THE SMITH & WILLIAMSON GUIDE TO BUILDING AND SELLING A BUSINESS

Guy Rigby
(Harriman House)

An instruction manual for business, this book does exactly what it says on the tin. Not for ICAEW chartered accountant Guy Rigby the wafting clichés of blue-sky thinking outside the box. This is a no-nonsense guide to getting it right, building it up and selling it on. One for the practical entrepreneur, it covers everything from first finances to marketing, and setting up an exit strategy. It's stuffed with useful tips that will benefit both those looking at starting out and anyone already running their own business. The author brings to bear his experience setting up and selling his own accountancy firm; of being both an FD and sales director; as senior partner in two practices; as owner of manufacturing firms; and as mentor to many entrepreneurs. A how-to book that actually does show you how.



THE UNDERCOVER ECONOMIST

Tim Harford
(Little, Brown)

Proving that you don't need a degree in economics to view the world through an economist's eyes, Tim Harford takes a fresh look at the world, balancing everyday figures to see how money really moves. Claiming that it is possible to find truth through statistics, he examines the profit motive behind immigration, the money-making power of cappuccino, who's best at running crime-covering laundries (the Mafia), and why property prices behave in seemingly inexplicable ways. Abandoning equations and buzz words, Harford is on a mission to open up laypeople's eyes to the negotiations and games that govern the way the world works, and who pays for it.



BUILD A BUSINESS FROM YOUR KITCHEN TABLE

Sophie Cornish and Holly Tucker
(Simon & Schuster)

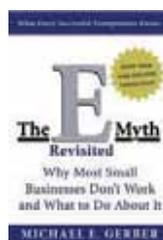
Not all businesses start life with bank loans, suits and IKEA-stuffed offices. Here Cornish and Tucker relive their experiences of founding innovative retail site notonthehighstreet.com, recalling the lessons learnt both by them and the 3,000-odd independent businesses they partner with. Their mantra is about doing it on your own terms, whether that's working around a young family or balancing overburdened credit cards. This is a brave, naked-truth version of events, reminding readers that every start-up is a gamble, and requires a certain degree of faith in the core business. Its message is a positive one, however. Anyone, they say, can do it – as long as you have that big idea, of course.



THE E-MYTH REVISITED: WHY MOST SMALL BUSINESSES DON'T WORK AND WHAT TO DO ABOUT IT

Michael Gerber
(HarperCollins)

The key to not falling down a pit is seeing the pitfalls before you take your first step. In this recipe for a successful small business, Michael Gerber examines what has gone wrong for those who went before, with particular focus on the author's contention that entrepreneurs make bad business people. Just recognising that this might be true of you could be the first step on the rocky road to success. Disillusioning it may be to the bright young spark with a killer concept, but it's also a valuable, well-explained guide to getting things right first time around. If you can't make sense of this book, you should probably think twice about going it alone.



TEAM SPIRIT: LIFE AND LEADERSHIP ON ONE OF THE WORLD'S TOUGHEST YACHT RACES

Brendan Hall
(Adlard Coles Nautical)

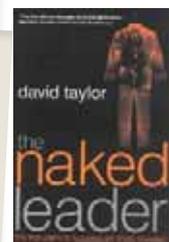
Think you have leadership potential? Try skipping an amateur crew in a 67ft yacht 35,000 miles around the world – while trying to win a race. That is exactly what Brendan Hall, at the age of 28 and with no management experience, did. His success in winning the race, the loyalty of his crew and the respect of the sailing world is testament to the preparation, planning and meticulous attention to detail that characterises Hall's race campaign. This book is his account of how he took *Spirit Of Australia* to victory in the Clipper Round The World Yacht Race, combined with insight into how the lessons he learned can be applied to management of sports teams, workforces and board members alike. Raw, gripping and brutally honest, Hall reveals how he learned as much from his mistakes as his successes.



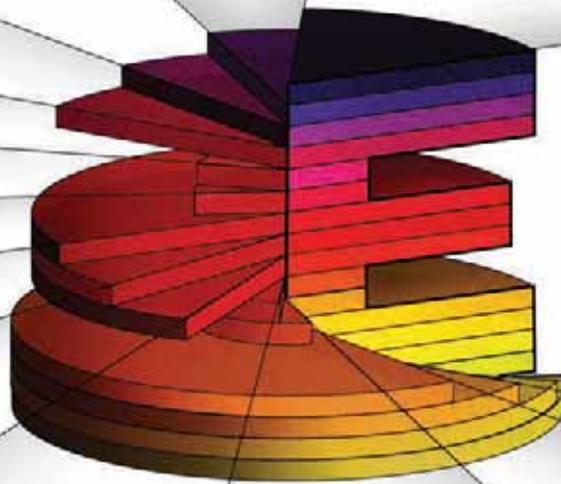
THE NAKED LEADER

David Taylor
(HarperCollins)

No, it's not Jamie Oliver in the new and disturbing guise of business guru, but rather David Taylor's formula for achieving anything you want. Readers will need to buy into the author's visualisation principles – imagine if you couldn't fail; everyone has an entrepreneur within – but once you get past that, this is an easy read that outlines tangible practices for start-ups to put in place. It certainly worked for Taylor, who believed in himself so much he launched a coaching business and published *The Naked Millionaire*. ■



GENERATION



Youthful enterprise could be the salvation of the economy – but what support networks are in place to help young entrepreneurs get off the ground?
Sophie Mei Lan investigates

A downturn in the economy and high youth unemployment has prompted some young people to follow their entrepreneurial dreams. This is a relatively new phenomenon – those who strayed from the school/university/job norm were once at a disadvantage, but now maverick behaviour is encouraged. There are networks to provide support, even funding. A few are set up to make money from young self-starters, but most organisations maintain their youth enterprise programmes as not-for-profit strands.

Virgin Media Pioneers is an online community of enterprising people who use videos and blogging to share their ideas and experiences. Ashley-Rae Tapping, founder of LOUD Culture, joined to get her fashion label off the ground. She says: “The pioneers have given me confidence and contacts. The biggest challenge as a young entrepreneur is that people and banks don’t take you seriously. It’s hard being a woman and having a full-time job as well as running my own business. Organisations need to help young people, particularly with access to finance.”

This view has been echoed throughout the network. “There are a lot of young entrepreneurs

who have great ideas, they’re impatient but have no access to finance because big banks won’t lend to them,” explains Dan Butler, Virgin Media Public Affairs manager. “So we launched a campaign called Control Shift and produced a report to government that was influenced by what pioneers wanted.” The report proposed, “loans from the bank that were government sponsored and long-term low interest (like student loans) because a lot of young people didn’t want to waste time doing a business degree”.

The Control Shift report was delivered to parliament by Richard Branson and Virgin Media Pioneers, and has had the desired effect. Chancellor of the Exchequer George Osborne included a start-up loans pilot called the Youth Investment Fund in the 2012 Budget, which will offer £82m worth of loans to young entrepreneurs over the next three years.

As well as campaigning, many organisations offer grants, which tend to be part of a company’s corporate responsibility. The Shell LiveWIRE programme offers free online business advice and start-up awards of £1,000 and £10,000 to young entrepreneurs in the UK.

O2 Think Big finds young people with great ideas and gives them training and funding to

make their ideas work. Young entrepreneurs can access a £300 grant to help their project. Michael Kamara, founder of the At The Edge project, funded by O2 Think Big, has helped reduce anti-social behaviour in a deprived part of the UK.

"I set up a project to cater for the needs of youngsters by engaging, educating and empowering them through football and storytelling," he says. "We need to better the name of young people in society, as they're not seen as ambitious, but lazy."

Social entrepreneur Viviane Williams agrees, and thinks most young entrepreneurs need support to ignite "inner confidence in people" in order for them to "truly believe in themselves and what they are doing".

Using support and financial help from O2 Think Big, Viviane created the Wakeup Campaign, which uses marketing tools and design disciplines and processes to help bring social change to local communities.

"Support circles and networks are crucial for anyone doing a project, or building a business," she says. "The networks help inject some confidence."

Some of the training Williams and Kamara received for their O2 Think Big projects was delivered by UK Youth, a charity, which encompasses a national network of organisations dedicated to supporting young people in realising their potential through non-formal learning opportunities.

The Prince's Trust is another youth charity that offers courses, financial support and a special enterprise programme,

providing money and backup to help young people start up in business. Organisations such as The Prince's Trust and Enterprise Lab (see right) were created as direct responses to rising levels of unemployment and the sobering fact that one in five young people are classified as not in education, employment or training (NEETs).

Such support networks and funding bodies are essential for young entrepreneurs and the most worthwhile tend to be the more holistic programmes, where entrepreneurs can access grants and funding as well as providing a framework and network to enable young entrepreneurs to develop sustainable businesses.

SMEs provide 59.1% of all private sector jobs, so an increasing number of profitable start-up businesses could help to solve youth unemployment, if both SMEs and young people gain access to adequate support and training.

As, Richard Reed, founder of Innocent Smoothies, pointed out on BBC Radio 4's *Money Box*: "We're a brilliant country of entrepreneurship and the next generation are very exciting." ■

"You never win by playing by someone else's rules. The best thing about running your own business is you set the rules"

Julie Meyer, Ariadne Capital

IN THE THICK OF IT

Enterprise Lab hopes to encourage enterprise through special programmes, events and debates. Sophie Mei Lan attended a debate organised by it and voter engagement campaign Bite the Ballot at the Houses of Parliament.

Ketan Makwana, founder of Enterprise Lab, said young people need to take action, but often face obstacles in doing so. "Events like #YouthDebate provide a platform for experiences, recommendations and awareness not only between young people but also through industry, sectors and professionals," he said.

Attendees spoke of how helpful some of the support had been from their chosen network, but they felt once they had gone past start-up point, there was little support available to improve skills further and develop the business.

But Shaun Bailey, youth worker and advisor to David Cameron, said that young people needed to help themselves and not rely on others to encourage them.

Ruth Amos, founder of StairSteady, said the schemes for young entrepreneurs are a "great place to start if you have no idea what to do". But, she added: "There are some networks where the guidance is not correct and the advice young entrepreneurs receive is not correct."

Katrina Bagshaw, head of Premier Partners, a company which supports and trains entrepreneurs in marketing and advertising, says: "It is vital that businesses, especially young entrepreneurs, are given correct guidance so that they are able to develop profitable businesses that are able to survive peaks and troughs in the financial climate. That is why good financial advice and accountants are key to a successful enterprise."

To read more about the needs of young entrepreneurs follow @VeritaMag #YouthDebate



Sharp

focus

Simon Palmer is a man with a vision. **Peter Taylor-Whiffen** talks to him about restoring his historic eyewear company to its former glory through a tight business plan, a background in accountancy and a commitment to quality

With a client list including seven British monarchs, 10 prime ministers, an emperor of China and Napoleon Bonaparte, you can see why Simon Palmer is keen to restore his family business to its former glory.

For not only is CW Dixey & Son the oldest independent eyewear firm in the world, it was once universally held to be the greatest – and its far-sighted current director is keen to see the company in that position again.

“In recent times the firm has struggled,” admits Palmer, who is an ICAEW chartered accountant and who took over the company earlier this year. “It was as if it had forgotten how it had achieved its greatness, which was through quality and exclusivity. We want to restore that image.”

And it’s quite a history. The company was established in 1777 by William Fraser as a maker not only of spectacles but also of other optical and mathematical instruments, including telescopes, globes, sextants and thermometers. Its success from premises in London’s Bond Street quickly caught the eye, as it were, of George III, and he bestowed the first of what would become 15 Royal Warrants.

Fraser’s secret was excellent customer service – legend says he even kept a cow in the shop to provide fresh milk for his

clients’ tea. But it was Charles Wastell Dixey, to whom he sold the business in 1824, who cemented its reputation as a family firm that purveyed quality goods. It passed through his descendants until 1929 when the then owner, having no children, gave it to his staff. Since then it has been passed rather arbitrarily through the hands of relations, staff or even close chums the owners thought could continue its traditions – which is how Palmer’s father acquired the company from his best friend in 1991.

“For much of that time CW Dixey continued to have the hallmark and reputation of real quality,” says Palmer. “It made spectacle frames out of gold, it pioneered contact lenses – and it was recognised as a company that served a very exclusive clientele.”

During those glory days Dixey received further Royal Warrants from eight British monarchs and served nine other royal families across the world. Emperor Qianlong of China and Napoleon both ordered telescopes, while the Duke of Wellington, Sir Winston Churchill, Harold Macmillan and Sir Alec Douglas Home were among the prime ministers who commissioned Dixey frames – a clear case of the eyes having it. Acting royalty Peter Sellers, John Gielgud and Boris

Karloff were also clients, as were writers Tennessee Williams and Ian Fleming.

However, despite the firm’s legendary status (Captain James Scott’s expedition took its instruments to the South Pole), over time the world stopped raising its glasses to CW Dixey. The company began to struggle until, during the recession of the 1990s, it almost folded completely. Step forward the Palmers and in particular Simon, who says one key aspect helped him to resurrect the business – his accountancy training.

“The recession coincided with deregulation in the eyewear industry,” he says. “Suddenly all these huge designer names were able to operate in what had until then been quite a closed market. My father saved the company from being extinguished but we needed a new vision to restore it to its former status.

“I trained as a chartered accountant from 1998 to 2001 and up to that point I’d had no commercial experience. However, my accountancy training proved invaluable. If I’m honest, it’s not the practical accountancy that has helped me the most, but the other parts of my training – company law and marketing.”

Palmer saw, as his father did, that the business needed to streamline and work on the one thing it could guarantee to



do well. "The company had kept an opticians' practice on Bond Street for 220 years but we sold that because the quality of the product had been the secret of Dixey's success and shedding the practice freed us up to focus on that. We continue to have partnerships with a few opticians, but we do not need a shop front so now we don't have one. Our speciality is the quality of the frames, which people can order by phone or on the internet."

Palmer's starting point has been to recreate the products once desired by the highest society. Taking inspiration from one of history's most iconic images, last year Dixey launched the Chartwell collection – circular and half-eye glasses originally made for Sir Winston Churchill.

The Chartwell frames – and other bespoke products ordered by the company's global list of clients – are designed in England and Scotland but made in France. "We couldn't find anyone in the UK to match the quality of the French manufacturers," says Palmer. "But it means we have an excellent product – and anyway, it continues the company's link with Napoleon."

It's fascinating to hear revelations of the firm's day-to-day dealings with its clients, which did not always run smoothly – such as the time when Dixey had the temerity to tell Queen Victoria her nose was "totally unsuitable" for the pince-nez she had ordered. The firm's archive notes that the businessman returned from his meeting with the monarch "a little shaken".

Palmer's respect for the firm's history makes him determined not to compromise quality in the quest for riches. "This is our first trading year since the relaunch and it's going very well, but we don't have specific targets," he says. "I don't desire for us to grow huge and lose focus – I want us to stay small and exclusive. That's our business model."

"We get orders from all over the world but it makes no difference to me whether our client is from Brazil or from Oxshott."

"Of course we want to attract the most discerning clients," he says. "We've served almost every English monarch from George III but there's one notable exception. So yes, we'd be delighted if the Queen got in touch..." ■

To find out more visit cwdixeyandson.com

LIVING WITH DEFINED BENEFIT PENSION RISK

New research into occupational pension schemes shows CFOs having to handle a range of complex challenges

The jury may be out on the efficiency of quantitative easing (QE) in stimulating depressed economies, but one thing is certain: CFOs of large companies are convinced it is causing huge financial headaches for them as they seek to manage defined benefit (DB) pension scheme risk.

According to a major new piece of research from ICAEW and Mercer, a global consulting leader in talent, health, retirement and investments, CFOs believe that the impact which QE is having on gilt yields is making it prohibitively expensive to cap DB risks and adding to the deficits that many DB pension schemes are already carrying.

“A material millstone around corporate UK’s neck” is how one finance director described the current situation. “If corporate UK is having to scrabble around, trying to find £320bn of deficit funding, it is seriously diverting cash away from any investment in productive activity.”

“We intend to de-risk but the position is quite simple at the moment,” another finance director added. “We don’t want to de-risk at current gilt yields. A lot of people are in the same place.”

The research involved 100 senior financial executives – mostly CFOs and finance directors – in large companies (FTSE 100 and 250, plus other substantial employers in the UK), all of which sponsor DB pension schemes. Ten qualitative telephone interviews with survey respondents supplemented the quantitative research, exploring the issues raised in greater depth. The report provides insights into the way companies are managing their DB pension scheme risk and coping with the unprecedented challenges that the current economic conditions are throwing at them.

Not surprisingly, DB pension scheme risk is way up the business agenda, thanks to the combination of historically low gilt yields, the uncertain economic climate, market volatility and increasing demands on pension funds as life expectancy improves. The research found that virtually all finance executives (98%) rank DB pension scheme risk as a priority, while 39% regard it as a top priority. More than half (57%) said they expected their scheme to have a negative impact on their organisation’s financial performance over the next three years.

A MATERIAL CHALLENGE

Financial executives tend to view DB pension scheme risk as unique and particularly difficult to manage, since it is often much larger, more complex, and longer-term than some other broader financial and operational risks. There is no “one size fits all” approach to managing the risk, the research found, as executives tell us they base their strategy on the materiality of the risk on financial performance and the company’s cash requirements. Almost all have a plan to manage the risk though and 89% align



“A material millstone around corporate UK’s neck” is how one finance director described the current situation

this with the broader corporate risk framework. This is seen as useful for understanding the relative scale of risks.

Top concerns in managing DB risk include: the impact of low bond or gilt yields increasing liabilities; the level of funding required or reducing the deficit in the pension scheme; and the investment strategy – such as deciding the correct level of risk, the type of asset or credit to invest in, or how to match assets to liabilities. Financial executives are also worried about the volatility in the size of the scheme deficit and the required funding ratio, and how to ensure that the return on investments matches the DB scheme liabilities.

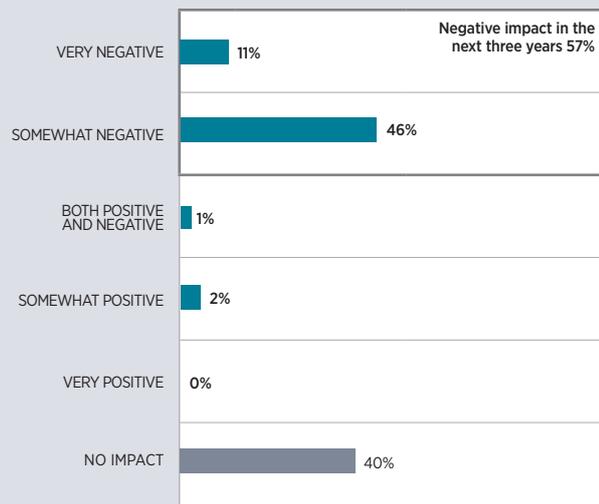
Given the current economic environment, there is a strong desire among financial executives to mitigate the risk, but paradoxically that same environment ensures that they feel they are limited in what they can do. This is proving to be intensely frustrating. As one finance director pointed out: “Regulation, governmental action, market forces will all have a material effect on the risk issue, all of which are out of the control of the pension trustee or the company”.

Another said: “It would be lovely to be able to eliminate the risk, but we can’t see a way of doing that at this point because it would require significant cash contributions from the company, more than the company could afford.”

As a result, some organisations are playing a waiting game until gilt and bond yields recover and concentrating on those risks they have control over. Almost all (93%), for example, have closed their schemes to new members and half (51%) have closed them to future accrual. But despite current market conditions, many are still making preparations to move ahead with risk management in any case, more than a third are planning to implement a glide path or journey plan of de-risking triggers (38%) or invest in assets

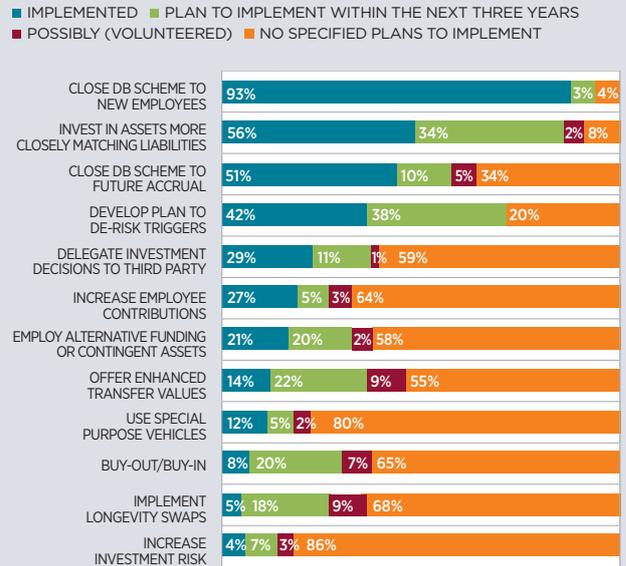
FOR CHART 1 AND 2 AUDIENCE: SENIOR FINANCE EXECUTIVES BASE: 95 FIELDWORK DATES: 29 MAY AND 12 JULY 2012

CHART 1: EXPECTED IMPACT OF DB PENSION SCHEME ON FINANCIAL PERFORMANCE IN THE NEXT THREE YEARS



Q. Is the overall impact of the DB pension scheme on your organisation's financial performance [over the next three] years likely to be? ["Don't know" responses excluded]

CHART 2: MANAGING DB PENSION RISK



Q. Regarding these measures related to managing DB pension risk, tell me whether your pension scheme has implemented, plans to implement within the next three years or has no specified plan to implement the measure. ["Don't know" responses excluded]

that better match liabilities (34%) over the next three years. Other tools include inflation hedging (47%) and interest hedging (38%), and around one in ten (9%) are using a mix of inflation, interest and longevity hedging to reduce DB pension risk. But half (48%) of the organisations surveyed aren't currently using any of these tools because of the cost, perceived complexity and concern over risk in the current market.

THE ROLE OF TRUSTEES

Nearly all finance executives (94%) say their working relationship with the trustee board is excellent or good. Managing the DB pension scheme is sometimes seen as a partnership and, generally, they think trustees have the necessary governance structures, experience, time and expertise to manage investment arrangements and implement the most appropriate investment strategy.

There is room for improvement though: 77% of the finance executives report missed market opportunities because investment decisions took too long, while some think that pension scheme trustees avoid using hedging because they find it difficult to understand and are therefore reluctant to agree a strategy that includes hedging as an element. Then there is the difficulty in reconciling what the executives see as the sponsor's longer-term view for DB pension schemes with the trustees' desire for more short-term solutions.

Mercer believes there are things that sponsors and trustees can do together to manage the risk more effectively, while balancing both short- and long-term goals. The key is to be able to act quickly when appropriate, to ensure that the trustees have the ability to act, and to address the governance challenges.

Effectively, a plan needs to be mapped out that takes advantage of the opportunities available so that pension scheme financing

and risk are addressed, permanently. "In the absence of taking action," Mercer warns, "the deficit will grow and remain volatile."

As one finance director said: "Ultimately, the only way the pension trustees and the pension members will get the liabilities paid in full is by the performance of the company and the strength of the company. Therefore it is inherent on the company to make sure they are managing the risk accordingly.

"It's a two-way street. The pension fund trustees could rant and rave that they want more money, but ultimately if it's going to damage the company, then they're putting their repayment plan at risk. So there has to be a good working relationship between the sponsor and the trustees and, in our case, we work hard to make sure that stays in place."

MERCER'S ESSENTIAL ELEMENTS OF A JOURNEY PLAN

- The target (or end state) for the level of risk should be a **shared objective** with the trustees.
- There should be clarity on the fundamental **investment beliefs** about the trade-off between risk and reward, so that the market and scheme funding conditions required for de-risking to take place are agreed between the sponsor and trustees.
- There should be a gradual **implementation process**, which takes market-related opportunities where possible and can be delivered within the "governance budget" available.
- There should be **contingency protections** to address trustees' most critical downside concerns.
- There should be sufficient **flexibility** in the central plan to ensure it is kept as simple as possible and everyone accepts that further adjustments can be made down the line.

10 TIPS TO AVOID COSTLY PI CLAIMS

- 1** Issue engagement letters which include what you will and what you won't advise on and then stick to them.
- 2** Confirm all new instructions in writing and keep the client informed of the costs.
- 3** Keep clear notes of all key meetings and conversations.
- 4** Implement a centralised diary so that if an employee is absent their work is picked up.
- 5** Advise clients of the risks if they fail to meet deadlines for example tax deadlines.
- 6** Keep up to date with trends and developments in your area of expertise.
- 7** Don't advise on subjects you are not familiar with.
- 8** Vet all new clients - if a potential client has changed accountants regularly then there is usually a reason for it.
- 9** Carry out regular file audits and peer reviews; this should be done up to senior partner level.
- 10** Make sure that the activities you carry out are covered by your PI policy; for example if you are engaging in different areas of business or dealing with clients in foreign jurisdictions.

With effect from 1st October Bluefin Professions were appointed exclusive provider of professional indemnity (PI) and office insurance to ICAEW member firms for a further three years.

With more clients on our books than ever before and our own in-house claims department we've compiled a list of the top tips for reducing your exposure to professional indemnity insurance claims.

“ We are delighted to have reappointed Bluefin Professions as our recommended PI broker for a further three years.

Member take up in the facility has been exceptional with 1 in 3 member firms now placing their business with them.

We require a broker who is flexible and can respond to the needs of our members; we are pleased to say that we have found that in Bluefin Professions. **”**

Sharron Gunn

Executive Director Commercial, ICAEW



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0117 929 3344

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Briefing

Audit tender, listing rules and country-by-country reporting

Key issues this month include audit tendering changes, proposals to reform Libor and the extension of auditors' reporting requirements

10-YEAR AUDIT TENDERING FOR LISTED COMPANIES

1 FTSE 350 companies will have to put their audit out to tender at least once every 10 years or explain why not, the Financial Reporting Council has decided. It has changed the UK Corporate Governance Code to reflect the new requirement, which it says should ensure a high-quality and effective audit, whether from the incumbent auditor or a different firm.

Other changes to the code will require audit committees to provide shareholders with information on how they have carried out their responsibilities.

Companies will have to confirm that the annual reports and accounts are fair, balanced and understandable. They will also have to explain their policy on diversity in the boardroom and report progress on implementation.

The changes came into effect on 1 October 2012.

For further information, visit frc.org.uk

FRC EXTENDS AUDITORS' REPORTING REQUIREMENTS

2 Auditors will be required to report by exception if they don't agree with the board's statement that the annual report is fair, balanced and understandable.

Under new rules introduced by the FRC, they will also be required to provide the audit committee with the information they believe its members will need in order to understand the significant professional judgements made in the course of the audit. If the matters disclosed in the report from the audit committee don't appropriately address

issues raised by the auditors with the committee, the auditors will also be required to disclose the fact by exception.

The changes are included in revisions to international auditing standards that apply to the audits of financial statements starting on or after 1 October 2012.

For further information, visit frc.org.uk

LIBOR MANIPULATION TO BE CRIMINALISED

3 It will take a comprehensive and far-reaching programme of reform to rehabilitate Libor, according to Martin Wheatley, CEO designate of the Financial Conduct Authority.

"Although the system is broken, it is not beyond repair," he says. Wheatley has come up with a 10-part plan to restore trust in the system and ensure that it gets back "to doing what it is supposed to do, rather than what unscrupulous traders and individuals in banks wanted it to do".

The plan includes making manipulation of Libor a crime and introducing statutory regulation of all aspects of the process. Wheatley also suggests responsibility for Libor should be transferred to a new administrator, selected by an independent committee.

Other recommendations include bringing more banks into the compilation process, by compulsion if necessary.

FSA STRENGTHENS LISTING RULES

4 Companies with a dominant shareholder face greater corporate governance requirements, under proposed changes to the listing rules. The Financial Services Authority is proposing to increase the tools

available to independent shareholders to influence the governance of such companies. Suggestions include introducing the concept of "a controlling shareholder" and requiring the company to implement an agreement regulating its relationship with such a shareholder.

The FSA will also insist on a majority of independent shareholders on the board and give them a new dual voting role, allowing them more say in the appointments of non-executive directors. The FSA is also consulting on its approach to free floats. The deadline for comments, which should be online, is 2 January 2013.

For more information, see fsa.gov.uk

COUNTRY-BY-COUNTRY REPORTING GETS GO AHEAD

5 The European Parliament's legal affairs committee has adopted the draft report on the transparency directive, bringing country-by-country reporting a step closer.

This means that large extractive companies dealing with oil, gas, minerals and primary forest logging would be obliged to disclose full information about the payments they make to national governments on a country-by-country as well as a project-by-project basis. The committee proposes to extend country-by-country reporting to the banking, telecoms and construction sectors.

In August, the US Securities & Exchange Commission adopted similar rules for US-listed extractive companies, which will apply for fiscal years ending after 30 September 2013.

Copies of ICAEW REP 121/12 are available from icaew.com/representations

To find more technical updates visit icaew.com/economia/technicalupdate

Growth, money-laundering and a new business bank

EMPLOYMENT LAW

TUPE and changes to terms and conditions

Two employees who refused to agree changes to their terms and conditions were automatically unfairly dismissed, the Employment Appeal Tribunal (EAT) in Manchester has ruled.

It rejected the employer's appeal against the finding of the Employment Tribunal (ET) in *The Manchester College v Hazel and Huggins*, and said that the two claimants should be re-engaged on their old terms.

The claimants were transferred under Transfer of Undertakings (Protection of Employment) Regulations (TUPE) to the College in August 2009.

Shortly afterwards, the college discovered there were hidden costs in the deal that due diligence had not revealed and decided they had to make 300 voluntary redundancies. Both claimants were told their jobs would be safe.

The college still needed to make further cutbacks and decided to harmonise terms and conditions across a number of different contracts.

The claimants, Hazel and Huggins, refused to sign new contracts since this would have meant taking an 18% pay cut, and both were sacked. The college then re-employed them under the new terms. Hazel and Huggins sued The Manchester College for unfair dismissal.

Under the regulations, employers are prevented from changing the terms and conditions of employment except in very limited circumstances. These include where there is an economic, technical or organisational reason that entails changes to the workforce.

In this case, the college argued that the need to change the terms and conditions arose from a process of change driven by economic needs, rather than the desire to harmonise contracts.

The EAT decided that the two were dismissed because they refused to accede to the new terms and, as new terms are not a change in the workforce, the ET was correct in its construction of TUPE.

GLOOMY OUTLOOK FOR GROWTH

UK businesses are increasingly gloomy about growth prospects in the short term, according to new research by ICAEW.

The *UK Enterprise Survey Report 2012* shows businesses expect little growth in 2012 and 2013. Turnover growth has stalled in the past year, a trend that most companies think will continue.

This bleak outlook is in direct contrast to forecasters who predict the UK is coming out of its double-dip recession, and showing cautious optimism about the UK's short-term prospects. The survey reveals that only half of businesses expect any growth at all over the next year. Just 16% expect growth of more than 10% in turnover and profits and few owners expect much growth in capital investment, research budgets or jobs.

Export growth has also levelled off, particularly among smaller companies. SMEs are less optimistic than large firms about future levels of export growth. But businesses of all sizes still see exports as their opportunity to grow, especially as a number view the UK as a mature market.

ICAEW is calling for measures to help business, including a new office of regulatory reform; better access to export information; and a new start-up division at BIS to support early stage business growth and development.

For copies, visit icaew.com/enterprise

MONEY LAUNDERING REGULATIONS UPDATED

Changes to the *Money Laundering Regulations 2007*, which are intended to reduce the burden on business, came into effect on 1 October.

Certain businesses have been exempted from the regulations if they are at low risk of money laundering and terrorist financing and so are not required to be regulated to the same extent under global standards as other institutions. Examples include non-lending credit institutions, such as sports clubs and gyms that allow users to pay annual subscriptions in monthly instalments.

However, UK estate agents who arrange for clients' sale and purchase of overseas properties will be brought into the scope of the regulations for the first time.

Other changes relate to the fit and proper test for money service businesses, clarification of supervisory powers and extending the use of reliance.

ONLINE SUPPORT FROM QAD

ICAEW's quality assurance department has produced a set of webinars and webcasts for audit firms on topical issues that the profession faces.

Two of its reviewers will hold an interactive webinar on 20 November in which they will present findings from visits the department has conducted since 2011. In particular, they will expand on the findings presented in the *Audit Monitoring Report 2011*, share experiences from reviewing hundreds of clarified ISAs audits (from early 2011 to date) and explain how firms can demonstrate professional scepticism.

Aimed primarily at audit principals, managers and staff involved in the audits of smaller companies, the webinar will enable participants to ask questions and get immediate feedback from experienced QAD reviewers. Go to icaew.com/events to register.

QAD has also put together a webinar for all those firms that were unable to attend the 2011 QAD roadshows and hear the QAD's perspective on audit quality. The webinar identifies the key themes and findings from QAD visits in 2009 and 2010, including documentation, audit test design, substantive analytical procedures, ethical standards and professional scepticism. It also shares best practice on how to achieve cost-effective and high-quality auditing.

Copies can be downloaded from icaew.com/qadwebinar

NEW BANK FOR BUSINESS LENDING

The government is setting up a business bank to address long-standing, structural gaps in the supply of finance.

It is to contribute £1bn towards the bank's funds which it hopes will attract private funding to the tune of £9bn. The government says that the bank, which is to operate independently and at arms' length, will be professionally run and commercially focused.

The bank will operate through the wholesale markets and is not designed to compete with the market.

Instead, it will facilitate the provision of loans, including long-term capital, to UK businesses through banks and other financial institutions.

NEW IPO ROUTE FOR HIGH GROWTH COMPANIES

A new route to the UK IPO market is among proposals announced by BIS and the London Stock Exchange (LSE). Designed to attract high-growth companies to the UK from around the world (and Europe in particular) the scheme is likely to feature reformed rules on free float, eligibility criteria and reporting requirements. It will be seen as the first stage for companies seeking a full premium listing.

BIS will also work with the LSE to widen the availability of equity capital for both UK and international businesses looking to make the UK their global base. Further details will be published next month.

WILL-WRITING TO BE RESERVED

The Legal Services Board (LSB) wants will-writing and estate administration to be reserved activities, alongside probate. The decision follows a consultation that the LSB says overwhelmingly supported the move on the grounds of consumer protection. The LSB intends the new regulation to be proportionate, risk-based and flexible so that the existing providers, including accountants, will be able to continue to provide services.

But existing approved regulators and licensing authorities will need to be designated to regulate those reserved activities. Activities such as providing inheritance tax advice will be excluded from the scope of the reservation unless they are provided in conjunction with will-writing and estate administration.

As part of the process of gaining reservation, the Board has issued further consultation, which ends 8 November. It will make recommendations to the Lord Chancellor in 2013. Ultimately, it will be his decision to reserve the two activities. Copies of the proposals can be downloaded from legalservicesboard.org.uk

READ ECONOMIA ON YOUR IPAD AND IPHONE



The *economia* app is coming soon and offers an easy-to-use, intuitive experience for all readers

The *economia* app will be available for **iPhone and iPad** from this month and is free to download. It gives you all the content from the print edition, plus new dynamic features.

Once the app has been downloaded, new issues (and special supplements) will **automatically appear in your newsstand** and the app will notify you when

content arrives. A version for other operating systems, including an Android version, will follow in 2013.

The app is designed for use in **landscape and portrait mode**.

Other features include **adjustable text**, which allows you to select the **font size you prefer**, and **day or night mode**, which allows you to read out of

white or black background.

Stories can be accessed by **swiping through the issue**, via the contents bar, which is available from every page, or by double tapping and calling up the **visual contents bar**.

Content can be shared via **email and Twitter**.



All the small things

It's tough out there for small practitioners but, as **Caroline Biebuyck** finds, their size may be what gives them an edge in finding ways to square up to market challenges

Small practices are feeling the pinch. Work is hard to come by as clients feel the recessionary pressure. Audit work is disappearing as the threshold for companies needing that service rises. More and more clients are taking advantage of IT developments to bring their bookkeeping and accounts preparation in-house. And the proposed cash accounting for tax purposes may lead to smaller clients taking control of their own tax affairs.

Little wonder then that a recent ICAEW practice survey highlighted acquiring and retaining good-quality clients as the biggest challenge for practices.

John O'Donnell was in practice before moving to ICAEW, first into quality assurance and now as a practice consultant. In his current role he visits firms to review and give advice on different aspects of their operations, so he is in no doubt about the challenges they face. "This is a world in which the environment is changing and competition is tight," he says.

He urges practices to be nimble to respond to the evolving marketplace. Take audit, for instance, where many firms complain that they don't make a profit from audit services. "Perhaps it would be better to turn that audit client into a consulting client and give them advice on how to grow," he suggests.

Practices could differentiate themselves by providing accountancy services to a niche area. Some already do this for professions such as doctors and dentists and O'Donnell has seen small businesses creating a role for themselves in more esoteric areas, such as specialist IT.

Some have honed their expertise to offer a UK-wide service via cloud computing. According to ICAEW former head of practice services Gill Sykes, practitioners doing general accounting work for their clients could use cloud computing to increase efficiencies. "Practices can work

online to make amendments needed to prepare monthly or quarterly accounts," she says. "The efficiencies can free up practitioners' time to sit down with clients and concentrate on business issues, offering much broader strategic advice.

"This doesn't have to be complicated. It could be as simple as sitting down and asking: 'If you were to flex your selling prices what impact would that have on your cashflow?'"

SERVICE EXPANSION

Despite the recession new business is continuing to come practitioners' way. Eric Kench is the managing director of Kench & Co, whose clients include several start-up businesses. "Our clients tend to be in service industries," he says. "Many of the people who come to us have been made redundant and want to do something similar either as a consultant or as a full-blown business. They need advice on which type of business form is most suitable for them."

New clients come to Kench through a variety of channels - more than half through recommendations, others via the

MEMBER PANEL VIEW

"The void between the biggest and smallest firms continues to widen, while a focus on size drives turnover. Smaller practices must deliver a punchy and commercial boutique solution. We exploit opportunities left by larger firms, aligning with them, enhancing our reputation in the process and derisking the drop-off in revenues due to client failure.

Careful planning of business development is key as is good recruitment. Succession is about investing in the future. The traditional exit strategies for partners is crippled by the slowdown in consolidation and inability to achieve the historic multiples experienced."

Daniel Garcia, Adler Shine



internet. The firm has beefed up its website to include more than 600 pages of information. While Kench admits that few visitors go to the detailed technical pages, he believes providing this information has a positive impact on potential clients.

"At the early stages of their business they think: 'This is comprehensive and I'll use this knowledge! Later on they forget it's there or they realise that they don't need information, they need advice. And that's what they come to us for."

Although start-ups are bringing new business through their doors, accounting practices are also developing services to generate new income streams from their existing client base.

One promising area is wills and probate. Traditionally the province of solicitors, many accountants deal with estate planning and trusts so are well placed to expand into the area. Will writing is not yet regulated - though the Legal Services Board last month launched a consultation on proposals to recommend reserving

SUCCESSION PLANNING IS KEY

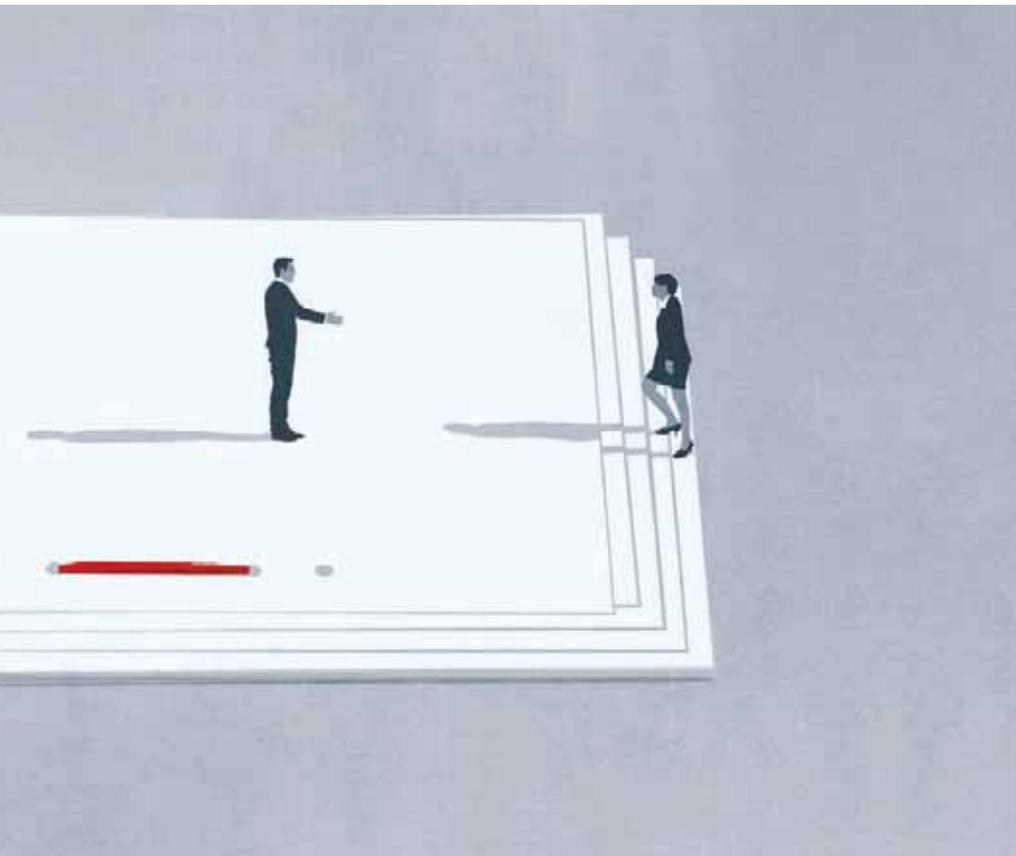
While about 250 new ICAEW member firms are established each year, a large proportion of existing member firms are run by accountants who would under normal circumstances be thinking of retiring within the next decade.

Anecdotal evidence of this demographic comes from sole practitioner Dale Prince. When he joined his local practitioner's society 17 years ago he was the youngest member of the group. "I'm still the youngest accountant there," he says.

ICAEW's former head of practice services Gill Sykes believes several members are likely to want to retire from sole or small practices in the coming years, either by selling up or merging with another firm. But few practices have been put on sale in recent years, mainly because of the difficulty of getting a good price.

Hollis & Co owner Peter Hollis is less pessimistic about the market for small practices. And he thinks more would be going up for sale if it weren't for practitioners' pension concerns. "Practitioners are often working longer because they haven't enough of a pension to retire on, largely due to the collapse in annuity rates," he says.

Whatever the reasons for holding on to their business, succession planning is an important issue for older practice owners. "We're seeing a lot of interest in our succession planning workshops right now," says Sykes.



estate administration and will writing. For the moment, accountants are still able to offer these services. Accounting firms can already apply for probate if they are executors of a will. And ICAEW is applying to become a regulator and licensing authority for all probate services.

Peter Hollis of Hollis & Co and chairman of ICAEW's Practice Committee, believes accountants are actually better placed than solicitors to handle a lot of this work. "I suspect most clients would rather have their will drafted by an accountant they deal with on a regular basis than by a solicitor they've not met before," he says. "Dealing with estates requires empathy and is mainly an accounting function. It also links in well with the inheritance tax advice we offer."

He would like ICAEW to provide help in these areas. "Practising accountants aren't used to rolling out new services, so it would be useful to get advice on areas like drafting wills, engagement letters, office procedures, controls and risks."

Practices could consider moving into investment advice. O'Donnell says changes being introduced by the Retail Distribution Review ("Opportunity knocks", August 2012) represent a possible opening. "You might think that because of the recession this is not a good time to talk to clients about investment. But it might be precisely the right time, as investments they were advised into 10 or 15 years ago may no longer be right for them," he says.

PENSIONS LINK

Clients might also need help with mandatory employee auto-enrolment for pensions, which came into effect last month. These regulations are being introduced in phases to ease the impact on smaller clients. But, as Sykes points out: "All practices should be starting to think how they can integrate this with existing payroll functions and be ready to step in when clients who have been dealing with payroll find this additional regulation just too much for them."

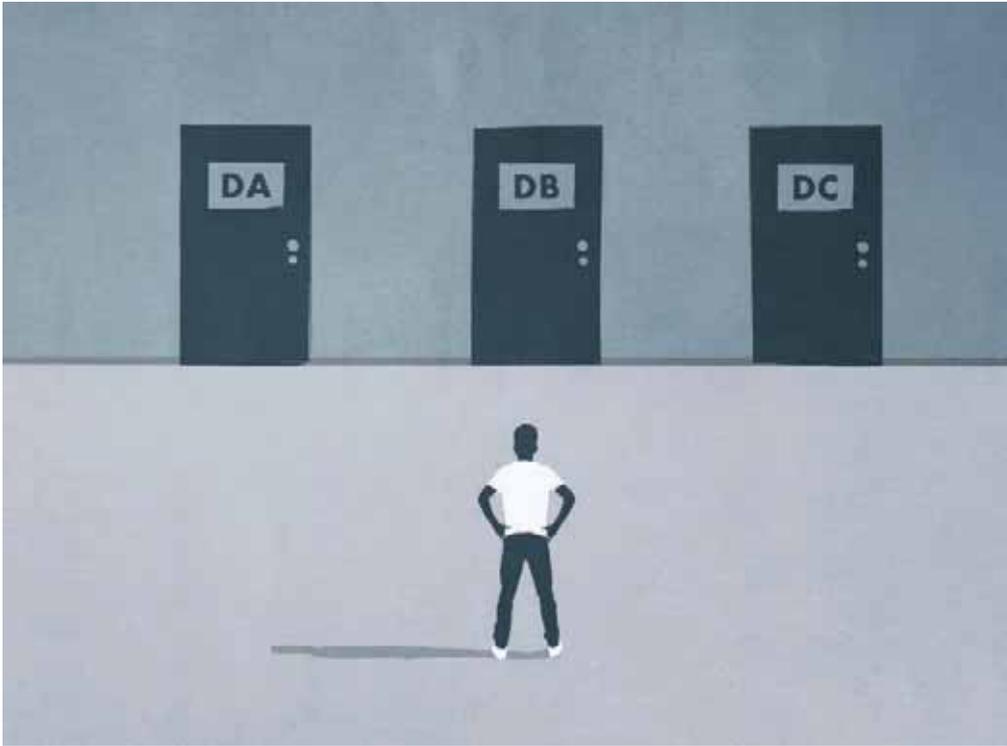
If adding new services isn't feasible, it

may be possible to collaborate with other businesses that have compatible areas of expertise. Kench's firm has linked with a consultancy specialising in inheritance tax planning – an area his firm had not previously covered. "This is a relatively new venture for us but if it works, as we think it will, the arrangement we have with this consultant could be expanded into different fields," he says.

Ultimately, says Sykes, small practices need to find the time to reflect on their strategy. "Many are so busy running their business that they don't feel they have time to stop and consider in detail what they want to do with their practice and how they want it to develop," she says. "It's not easy to find the time to do this but just ploughing ahead assuming that accounts and tax work will keep coming in isn't wise."

It is about thinking laterally, says O'Donnell. "If you can lead your client to new areas you will be regarded as a valued adviser. Our members are well placed to deliver advice that adds value." ■

Define your terms



The UK pensions crisis is showing no sign of abating. **David Adams** asks whether options such as defined ambition are being overlooked as the government focuses on auto-enrolment

Pensions in the UK are in crisis. Over the past decade most final salary or defined benefit (DB) pension schemes have closed to new members or future accrual, as companies have sought to lighten scheme deficits. There are now only six DB schemes still open to future accrual among companies in the FTSE 100 and all of these have closed to new members.

Defined contribution (DC) or money purchase schemes, increasingly the norm for private pensions, transfer risk,

inflation, interest rate, investment and longevity to members. These schemes are affected by economic conditions, which could leave members at best disappointed in retirement and at worst impoverished.

But for now they are the most viable option. By 2020 there may be more than 16m DC scheme members in the UK compared with 7m today, according to Pensions Policy Institute estimates published in June.

The rise of DC will partly be driven by the introduction of

auto-enrolment, the government's attempt to encourage more people to save for retirement, easing the burden on the state pension. But if DC schemes, including those into which workers are auto-enrolled, fail to provide enough income, the state will need to support those people anyway.

If people working into their 60s think their pension will not provide a decent income they may not want to retire. And anti-age discrimination laws will make it hard for employers to push them out, creating other issues such as rising unemployment among the young.

In the first half of this year pensions minister Steve Webb has spoken and written about the potential of defined ambition (DA) schemes to address these issues. DA would share pension risks

more equitably rather than loading them onto the employer (as in DB) or scheme members (as in DC).

One option would be a cash balance scheme in which an employer guarantees a fixed pension pot on retirement with the employee bearing the risk of uncertainty as to what the pot might be worth. Alternatively an employer could guarantee a pension income but allow the date on which it is paid to rise with life expectancy. Or the level of income in retirement could be determined at a late stage, having been narrowed down from a pre-set broader range.

GOING DUTCH

Another model is the collective DC scheme used in the Netherlands. The pension benefit is calculated using a formula similar to that used for DB but the contribution rate is fixed, not the benefit.

In Denmark many pension savers use deferred life annuity schemes. These guarantee future payment is based on a current minimum conversion factor, using a guaranteed minimum interest rate and prudent estimates of longevity. The annuity can be boosted by bonuses if the investment performs better than the guaranteed return or longevity assumptions turn out to be too prudent.

There are already some cash balance pension plans in the UK, as well as a few hybrid schemes in which a small DB element is supplemented with a DC arrangement. But what should government do to encourage employers to take on more risk? Adrian Waddingham, founding partner of actuarial firm Barnett Waddingham, believes

“Regulation killed the British pension scheme, particularly regulation about compulsory pension increases”

deregulation is key. He suggests removing compulsory rises.

“You might say if you took that away members wouldn’t enjoy the same protection. But at the moment people aren’t getting the pension itself, never mind the protection,” he says.

There will have to be changes, says Darren Philp, policy director at the National Association of Pension Funds. “Regulation needs to be proportionate to the risk,” he says. “If my employer says, ‘You work 10 years and I will guarantee you a pot of £50,000’, regulation should make sure it happens and the employer is clear about the deal. Is the benefit inflation-protected, for example?”

ICAEW welcomes Webb’s initiative, according to its pensions committee chair, Zahir Fazal. But he adds, “No one knows the shape it will take. ICAEW members include financial directors responsible for looking after companies’ balance sheets who will need convincing this is worthwhile and not a commitment over which they

will have no control.”

Shadow work and pensions minister Gregg McClymont also has doubts. “The government should consider the possibility of permitting pension providers the option of offering collective DC. But this should not take resources away from ensuring auto-enrolment takes off. There’s already a worry that internal government wrangling over reform of the state pension is distracting the minister’s attention from auto-enrolment. Defined ambition risks another loss of focus.”

So if auto-enrolment has progressed well by 2015, would DA be a priority for a Labour-led administration if it won a general election that year? McClymont says the party won’t set its priorities until nearer that time but “will undoubtedly include measures designed to reduce costs and improve processes and outcomes for savers. These will include measures that may, or may not, come under the heading of defined ambition depending on what this government is intending to

achieve under that heading.”

The Department for Work and Pensions (DWP) says it is focusing on auto-enrolment and hasn’t yet been explicit about how it sees DA schemes working. “DWP is exploring with the pensions industry how existing options and new ideas might be developed,” says a spokesman. “A defined ambition industry working group chaired by the ACA [Association of Consulting Actuaries] has been set up, as well as sub-groups including providers, actuaries, lawyers, regulators and investment firms. It is intended to publish something about defined ambition later this year. The content will be consultative and exploratory, although we will be clear about the strategic direction.” ICAEW will contribute to this process.

CHANGE OF FOCUS

Signals from the DWP so far suggest the emphasis will be on creating the conditions to stimulate new schemes rather than on stipulating how such schemes should look. “That would be a good first step, to give employers the freedom to use designs that suit their circumstances,” says Kevin LeGrand, head of pensions policy at Buck Consultants.

Waddingham adds: “I’d like the government to deregulate. Regulation, particularly about compulsory pension increases, killed the British pension scheme. This is important as even with government help it will be difficult to get financial directors back in the water.”

Waddingham’s colleague Andrew Vaughan, elected ACA chair in June, says ACA will “continue to argue the case for a meaningful rationalisation of pension

DWP PERSPECTIVE

“The most important attributes of a DA pension scheme would include greater certainty for members than a DC pension, and less cost volatility for employers than a DB scheme. Risk-sharing is a key enabler.

We are working with the new Defined Ambition Industry Working Group of pension industry practitioners. Later this month, we plan to publish a *Private Pensions Reinvigoration Strategy*. This will set out the challenges we want DA schemes to meet, and share ideas from the working group.

Implementation will depend on how far solutions can be delivered within the current legal framework. We hope to set out scheme models and products next summer that don’t require legislative change.

Government will then consider proposals for legislative change, assessing impact on scheme members, employers and the industry.”

legislation and regulation so private businesses feel offering a good pension scheme is worthwhile”.

Ahead of any such change, introducing auto-enrolment is “the biggest catalyst for change in UK pensions provision”, says Ben Stafford, director of UK public affairs at Cicero Consulting. The DA debate is not happening in a vacuum, he says, but in the context of auto-enrolment, debate about the reform of the state pension and planned EU regulatory changes.

Uncertainty continues both over what the current or next government will do about Webb’s ideas and over the ideas themselves. However, DA may form a useful part of a much-needed solution to a big problem for government, employees and staff. ■

Seeing the wood for the trees

Financial reports are created primarily with investors in mind but, asks **Sally Percy**, should they be reformed to meet the needs of other users?

Financial reports have earned a bad reputation over the years. Maligned for being too long and cluttered, hard to navigate and stuffed with meaningless marketing speak, these important documents of record have suffered an endless stream of criticism. In 2007 HSBC's 454-page annual report, weighing in at 1.36kg, was even slated as a health and safety risk after Royal Mail banned its postmen from carrying more than 10 at a time for fear of back injuries.

Then the financial crisis hit. Financial reports were held partly responsible for the meltdown in the banking sector, both for disclosing too much and for not disclosing enough about the risks institutions were taking. Four years on, financial reporting remains under the scrutiny of regulators, standard setters, accountancy bodies and the government.

Financial statements may be designed with the interests of investors in mind but they're used by a range of stakeholders (see box far right). Nevertheless, their shortcomings mean they could be failing to meet the needs of any group of stakeholders fully – investors included.

"External reporting is focused largely on investors as opposed to other stakeholder groups and is mainly historic," says Simon Bittlestone, commercial director at business analyst Metaprax. "It has little forward-looking financial information on likely future achievement, which is vital for investor decisions. It also often lacks insight and is generally a table of numbers with little trend information or context."

But Alison Thomas, head of global investor engagement at PwC, says the reporting model is not broken. "Investors

tell us the annual report is still a valuable document. If you're an investor and you don't know a company, often the first thing you do is print off the annual report and read it from cover to cover," she says.

Thomas believes annual reports give investors and other stakeholders an insight into a company's business model, management approach and culture, as well as a solid history of financial results. Annual reports are assured by auditors, so stakeholders feel confident about the financial information in them and, thanks to IFRS, they are presented in a way that is comparable with other annual reports.

relevance to stakeholders? "There's always room to improve the quality of what's in the annual report," says Nigel Sleigh-Johnson, head of the Financial Reporting Faculty at ICAEW.

Presentation is also in the firing line. "Financial information tends to assume a good understanding of accounting rules," says Bittlestone. "This is not always the case and can prevent stakeholders understanding what the information actually means for the business and what decisions to take as a result."

Depending on their terms of engagement, accountants might have a duty of care to

"We hope the annual report doesn't become so unfocused it fails to meet anybody's needs"

Investors arguably have the greatest need for them because of their comparative arm's length from the company. "A lot of other stakeholders are privileged information gatherers," says Baker Tilly partner Danielle Stewart. "Banks, creditors and employees are closer to a company than a third-party investor looking at whether to invest in it." Banks can ask for detailed financial information from companies, such as bank statements and management accounts, she says. Creditors, while less privileged, can also demand additional information. And employees are possibly the most privileged stakeholder group, as they know all kinds of information of which the markets are probably unaware.

So does nothing need to be done to improve annual reports and their

their client to examine financial accounts, such as in the case of an acquisition, for example. But they are likely to advise their client to examine the financial reports of companies with which they do business themselves, leaving them to interpret information that may seem unintelligible.

Then there's the issue of disclosures. Seen by some as more of a hindrance than a help, disclosures play a key role in explaining financial statements. Stewart says they are the "meat and drink" of analysts as they interrogate annual reports but others find narrative reporting more accessible.

Given the political importance that financial reporting has assumed since the financial crisis, it's no surprise there are efforts to improve it. The Department



for Business, Innovation & Skills is set to reform narrative reporting to allow companies to produce a high-level strategic report backed up by an annual director's statement available on the company's website. The idea is to create a format that enables businesses to tell an integrated story covering their business model, strategy, performance and goals.

In July, the European Financial Reporting Advisory Group, the UK Financial Reporting Council and its French counterpart the Autorité des Normes Comptables announced a review to make the notes accompanying financial statements more transparent. The notes have become so extensive that investors and creditors can no longer "see the woods for the trees", argue these organisations.

The Integrated International Reporting Council aims to create a global reporting

framework that includes non-financial information, such as environmental and social economic costs, with financial statements in a clear, comparable format.

There is also a hunger for real-time information rather than the historic data associated with annual reports. Alex Schwendtner, managing director of credit referencing agency Graydon UK, says creditors appreciate management accounts because they are forward-looking. "They provide valuable clues about the health of a business, such as whether and how quickly the business is reducing its debt," he says.

Graydon wants government to push large companies to publish their payment terms and the number of suppliers that receive payment within those terms.

"There's a limit to how you use annual reports," says Sleigh-Johnson. "We hope

WHO USES FINANCIAL STATEMENTS?

A wide range of stakeholders use companies' financial statements, with some relying on them more than others.

These stakeholders include:

- big institutional investors such as pension funds and other capital providers that base investment decisions on information contained within the statements;
- banks and other financial institutions looking for reassurance that the company is a safe bet to lend to;
- analysts, who use detailed financial information on a company to analyse its competitive performance;
- creditors seeking assurance as to the company's short-term liquidity;
- employees and potential employees who will be interested in the company's prospects, senior management pay and pension scheme funding;
- customers and debtors that want to know if the company is likely to survive;
- the government, which will be interested in a company's profitability for corporation tax reasons;
- media organisations that will report on the company's financial results;
- members of the general public who may have a specific interest in the company's activities.

greater use can be made of other means of communication to make sure the annual report doesn't become so unfocused that it doesn't meet the needs of anybody."

In today's internet-powered world, where analysts can deliver reports and news to clients at the click of a mouse, few stakeholders rely solely on annual reports as a source of information. That means companies should be using their website and social media presence to publish the detailed information that would otherwise clog up their annual report.

Reforming financial reporting remains a complex challenge, not least because of the diverse views on which information is relevant to different stakeholders. Use of technology is a step in the right direction, for stakeholders and postmen. ■

A severe reprimand, a public censure and a costly omission

Julia Irvine examines three disciplinary cases in more detail, including one firm forced to restate its accounts and another practising without a certificate

A BREACH OF REQUIREMENTS

R SM Tenon Audit in Nottingham has been severely reprimanded and fined £15,000 by ICAEW's investigation committee, after failing to carry out an audit in accordance with international accounting standards.

The firm admitted that it had breached the requirements of International Standards on Auditing (UK & Ireland) 500, Audit Evidence. It failed to obtain sufficient appropriate audit evidence on which to base its audit opinion in respect of going concern, loans and amounts owed by group undertakings, Turkish investment properties and a company loan.

As a result, on 12 August 2009, it gave a clean bill of health to an unnamed private company's 2008 financial statements. As well as the consent order, the firm was also ordered to pay costs of £11,011.

In February the firm's parent company was forced to restate its accounts after a review of past disclosures revealed "a limited number of significant errors and areas where accounting policies had not been applied consistently". The prior-year pre-tax profit was reduced by £12.1m. The firm also reported a first half pre-tax loss of £83.7m.

FAILURE TO LIAISE

T he ICAEW investigation committee has severely reprimanded and fined BDO for failings that led to it becoming the first sponsor to be publicly censured by the Financial Services Authority in relation to the listing rules.

The firm acted as sponsor to Shore Capital Group during its takeover of Puma Brandenburg in 2009. It was made aware that the transaction might constitute a reverse takeover

because of the significant size of the target company.

Shore was listed on the London Stock Exchange and so was bound by the listing rules. These state that a suspension of the listed company's shares is often appropriate on the announcement of a reverse takeover, unless the UK Listing Authority is satisfied that there is sufficient information already in the marketplace about the proposed transaction.

However, BDO failed to liaise with the Listing Authority in advance of the announcement to establish whether or not Shore's shares should be suspended. Instead, it agreed with Shore that it would delay contacting the authority until after the announcement.

It also tried to avoid classifying the transaction as a reverse takeover even though it recognised at the time that, as a strategy, it was unlikely to succeed.

The FSA publicly censured the firm in June last year after concluding that its conduct did not meet the requirements for a sponsor. It added that the firm had co-operated fully with its investigation and made operational changes designed to ensure future compliance with the sponsor rules.

Under a consent order agreed with ICAEW, the firm was severely reprimanded, fined £15,000 and ordered to pay costs of £4,963.

LACK OF COMPLIANCE

A n ICAEW member who offered accounting services through a company should have had a practising certificate, even though the company did not carry out audits or trade, sign documents or market itself as a chartered accountancy practice.

It was an omission that cost Brian

Brake dearly when his case came up before an ICAEW disciplinary committee tribunal. He received a severe reprimand, a fine of £2,300 and was ordered to pay costs of £2,200.

In May 2011, ICAEW discovered from Companies House that Brake was sole director of Breakthrough Finance Ltd, which provided accountancy services.

In response to a letter from the investigation case manager, he confirmed that he was sole director but pointed out he didn't promote the business as a chartered accountancy practice.

The case manager wrote back to explain that he still needed the certificate as he was engaged in public practice. Brake finally applied for a practising certificate, which was given to him on 28 June 2011.

But when he heard that ICAEW had referred the matter to the investigation committee, he wrote to say how disappointed he was, given that he had co-operated fully with the Institute. He added that he wished to resign his membership and he returned his practising certificate. Because of the complaint, he was held in membership until the outcome of the process.

The disciplinary committee tribunal accepted that Brake's failure to apply for a practising certificate initially was inadvertent because he mistakenly believed he did not need one.

However, it was his responsibility to have found out the exact requirements relating to practising certificates and not to do so fell well below the professional standards required of chartered accountants.

Brake ceased to be a member for failure to pay disciplinary fines and costs.

Report listings

The reports that follow are summaries. The full findings are available from icaew.com/publichearings or from the professional conduct department, ICAEW, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ

DISCIPLINARY COMMITTEE TRIBUNAL ORDERS

● Po Choi Chu of 333 Latimer Road, London W10 6RA

Complaint From October 2011 to February 2012, he failed to respond to a letter from ICAEW under disciplinary bye-law 13.

Order Severely reprimanded, fined £2,500 and ordered to pay costs of £1,265.

● Julie Anne Sanders of 131 Acre Lane, Cheadle Hulme, Cheshire SK8 7PB

Complaint Between 2007 and 2011, she failed to certify compliance with CPD requirements for the years 2005/6 through to 2009/10, in breach of principal bye-law 56(c).

Order Reprimanded, fined £3,000 and ordered to pay costs of £1,415. She ceased to be a member for failure to pay the fines and costs.

● Ashok Valera of 343 High Road, Ilford IG1 1TE

Complaint Between March and August 2011, he failed to respond to a professional enquiry letter.

Order Severely reprimanded, fined £3,450 and ordered to pay costs of £1,800. He has ceased to be a member for failure to pay.

● Michael Anthony of 104 Prinsep Street, Apt 03-02, Singapore

Complaint Between 2007 and 2011, he failed to certify compliance with CPD requirements for the years 2005/6 through to 2009/10, contrary to principal bye-law 56(c).

Order Reprimanded, fined £3,000 and ordered to pay costs

of £1,490. He ceased to be a member for failure to pay.

APPEAL PANEL ORDERS

● Ian Dixon of 25 Milton Road, Boughton, Milton Keynes MK10 9RA

Appeal He appealed against the £4,500 fine and £3,020 costs imposed by a disciplinary committee tribunal for issuing four sets of accounts when he was not permitted to, during a time when he held no practising certificate or professional indemnity insurance. He accepted the charge but thought that the matter had taken too long to settle, resulting in unfair costs, and the fine was too high, given the nature of the charge.

Decision Appeal dismissed but allowed to pay the fine and costs at £300 a month.

● Geoffrey Day of 23 Park Road, Gloucester GL1 1LH

Appeal He appealed against the disciplinary committee tribunal's finding that he had issued audit reports on two companies when hot file reviews had not been carried out as required by the audit registration committee, for which he received a severe reprimand, a £5,000 fine and was ordered to pay costs of £12,000.

Decision The finding was upheld. He was also ordered to pay additional costs of £4,500.

CESSATION OF MEMBERSHIP

The following have ceased to be members for failure to pay outstanding fines and costs.

- Robert Pasley of South Africa
- Howard Parsons of Isle of Man
- Andrew Tait of the Netherlands
- Fiona Coe of Australia

ICAEW takes all necessary steps, including legal proceedings, to retrieve the money.

INVESTIGATION COMMITTEE CONSENT ORDERS

● Leslie Hogan of Monaleen Road, Castleroy, Limerick, Ireland
Complaint Between 2008 and 2010, he issued six audit reports in relation to three companies in which he, or a close family member, was an officer, contrary to s 187(2), Companies Act 1990.
Order Severely reprimanded, fined £5,000 and ordered to pay costs of £1,035.

● Ebrahim Saleh of 12 Hove Park Road, Hove BN3 6LA

Complaint Between 2009 and 2011, he engaged in public practice without a practising certificate, contrary to principal bye-law 51(a). He also engaged in public practice without professional indemnity insurance contrary to regulation 3.1 of the Professional Indemnity Insurance Regulations.

Order Reprimanded, fined £1,000 and ordered to pay costs of £1,455.

● Warren Francis of Festival House, Jessop Avenue, Cheltenham, Gloucestershire GL50 3SH

Complaint He was a director of W Francis & Co Ltd which was engaged in public practice and which was wound up in July 2011 on grounds of insolvency.

Order Reprimanded and ordered to pay costs of £1,605.

● Stephen Peck of South Lodge, Ropsley, Lincolnshire NG33 4AS

Complaint He was a director of two companies in public practice which both entered into liquidation in June 2011.

Order Reprimanded and ordered to pay costs of £930.

● A C Tucker & Co Ltd of Manor Cottage, 18a Waxwell Lane, Pinner, Middlesex HA5 3EN

Complaint The firm issued accountant's reports although the client's financial statements for the years ended 31 March 2009, 2010 and 2011 stated that it was entitled to exemption from audit under the Companies Acts. In fact, this was not the case because the balance sheet total exceeded the relevant audit exemption threshold in all three years.

Order Severely reprimanded, fined £2,000 and ordered to pay costs of £1,705.

● Rohit Khandhia of 113 Swithland Lane, Rothley, Leicester LE7 7SH

Complaint He was a member of a limited liability partnership engaged in public practice which had a winding-up order made against it on grounds of insolvency in September 2010.

Order Reprimanded and ordered to pay costs of £1,149.

AUDIT REGISTRATION COMMITTEE ORDERS

● Whalley & Co Ltd, 29 Chester Road, Castle Bromwich, Birmingham B36 9DA

Breach The firm admitted being in breach of audit regulations 2.01 and 2.11 because it failed to notify ICAEW of a change in circumstance and to reapply for audit registration.

Agreement A regulatory penalty of £1,000

● Raymarsh Ford Ltd, 41 High Street, Kingswood, Bristol BS15 4AA

Breach The firm breached Ethical Standard 4 (audit regulation 3.02) because it failed to obtain external hot file reviews of its large client where fees regularly exceeded 10% of the firm's total practice income.

Agreement A regulatory penalty of £2,000.

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Fast-track your accounting career with the BSc Applied Accounting and Business (in collaboration with ICAEW)

Birkbeck, University of London and The Institute of Chartered Accountants in England and Wales (ICAEW) have collaborated to develop a new and innovative BSc Applied Accounting and Business that allows people to combine the ICAEW ACA qualification with a highly marketable, prestigious University of London undergraduate degree.

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- You will gain a University of London degree plus your ACA qualification in the same time that it would normally take to complete a full four-year degree.
- This course is suitable to a wide range of people looking to develop careers in accountancy, finance and management in a variety of business settings.
- Qualified Chartered Accountants who complete this programme and/or are full members of ICAEW with at least five years' relevant experience can progress to a fast-track Masters degree. This can be completed within 12 months and will qualify as CPD. For such professionals, who are exempt from much of the full programme, the Master's degree cost is reduced by around half.

To learn more about the course or apply online, please visit www.bbk.ac.uk/study/ug/management/UBSAABUS.html

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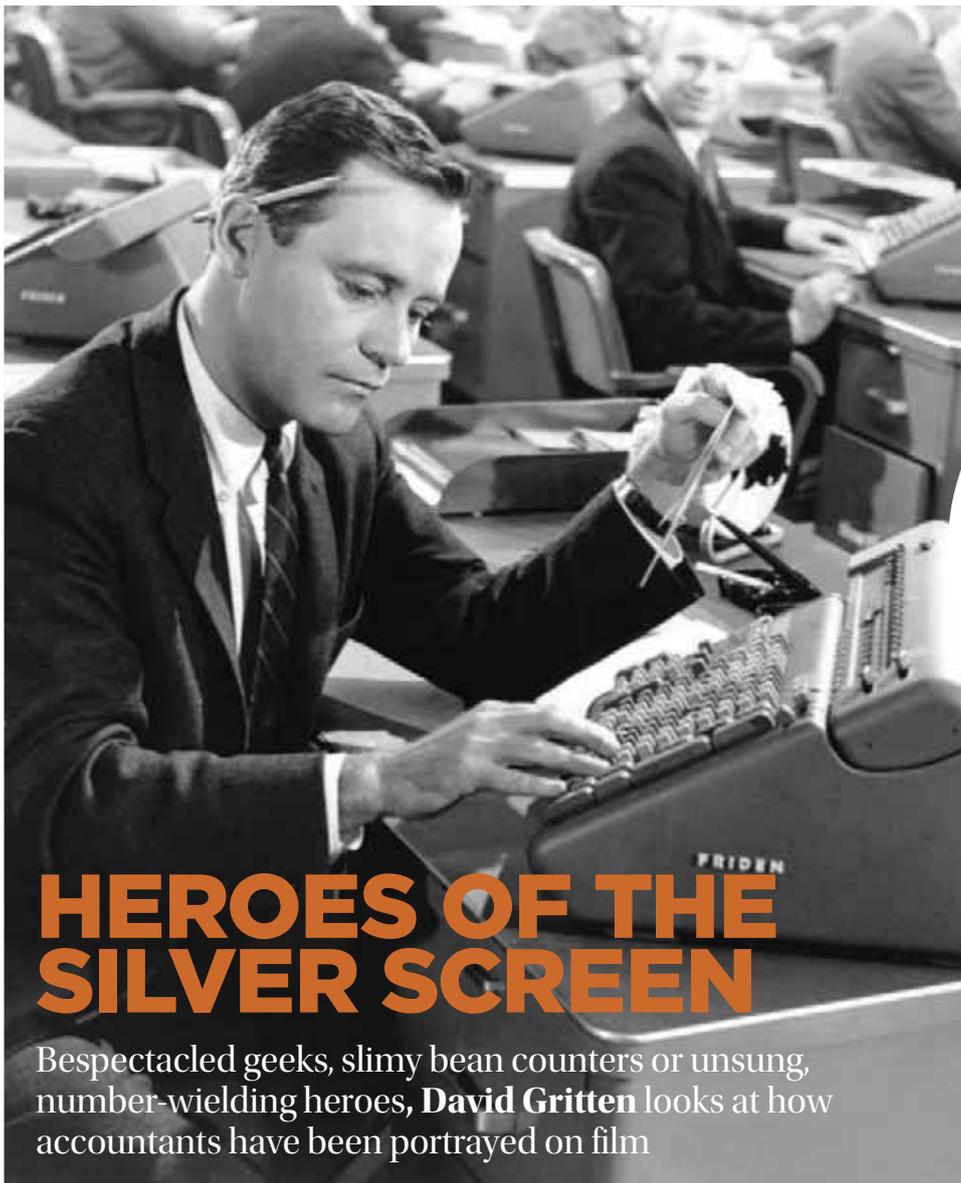
Life

“Who’d think an accountant would turn out to be my Judas” Max Bialystock in *The Producers*



MPTVIMAGES.COM

Life on film – a profession on celluloid, but if accountants on film leave you chilled, stay warm and look cool in six of the best winter coats, then dine in the dark and enjoy breakfast and lunch in other innovative restaurants



HEROES OF THE SILVER SCREEN

Bespectacled geeks, slimy bean counters or unsung, number-wielding heroes, **David Gritten** looks at how accountants have been portrayed on film



Most working people I know feel their profession is misrepresented by the movies. Serving soldiers smile tolerantly at big-screen attempts to turn them into action heroes; hospital doctors are amused to be portrayed as fast-talking multi-taskers, diagnosing patients' ailments at a glance. Journalists are cast either as crusading, truth-seeking heroes or moral reprobates, but rarely anything in between. My brother-in-law, a lawyer, rolls his eyes at the implausibilities of legal dramas – and don't get him started on *Law & Order*.

I imagine accountants must

feel the same way. Aren't they usually represented on screen as people who would rather be behind a desk, earnestly poring over rows of figures, rather than getting out into the world and chasing adventure? That's how it seems: if you introduce an accountant character into a movie, he (it's usually a he) will probably be nerdy, timid, earnest – and a little dull. Maybe it goes with the territory: film is a medium that loves movement, and on any given day, accountancy doesn't lend itself to action.

But of course there's another side to accountants. They're smart. They understand money and

financing. They know strategies, devices and loopholes. And often it's their insight and knowledge that drives the plot of the movie.

A perfect example is my favourite accountant in all of film: Leo Bloom from Mel Brooks's classic 1968 comedy *The Producers*, played by Gene Wilder. (Matthew Broderick took the role in the musical version of 2005.)

Leo is a humdrum, unremarkable little chap (even his name is lifted from James Joyce's everyman hero in *Ulysses*). And he's hardly hero material: he's shy and timid, he stutters and he suffers from panic attacks – at which point he reaches for

the blue blanket he has kept near him since childhood.

One of his clients is the brash, bullying but charismatic Broadway producer Max Bialystock (Zero Mostel), who flirts with rich widows so they will finance his plays as small investors, each getting a cut of any profits. But the plays fail, and he remains broke. One day Leo, surveying Max's dismal accounts, says: "Let's assume, just for the moment, that you are a dishonest man." He explains that if they could produce plays that were guaranteed flops, they could make more money than if they were successes.

It's on this speech that the story of *The Producers* turns. Max and Leo set out to find a sure-fire failure, and unearth a hideously tasteless musical about the Führer called *Springtime For Hitler*. They're on their way, thanks to Leo.

Another odd-couple comedy has a fine lead role for an accountant given to panic attacks. In *Midnight Run* (1988) Robert de Niro plays Jack, a bounty hunter handed what seems an easy task – to



bring a mild-mannered accountant known as The Duke from New York to LA to face justice. What Jack doesn't know is that the Mob, from whom The Duke has stolen £15m, are also chasing him, with orders to kill.

Charles Grodin, as The Duke, makes a brilliant foil for de Niro. He's a master of the double take, and his understated performance shows great deadpan comic timing. (Grodin was clearly born to play accountants; he did so again, opposite Kevin Kline, in the 1993 presidential comedy *Dave*.)

Accountancy also features in the prison drama *The Shawshank Redemption* (1994), high on many people's list of favourite films. Tim Robbins plays Andy Dufresne, jailed for life for a double murder on skimpy evidence. Dufresne is a banker by profession, but behind bars he functions as an accountant,

first helping a brutal chief guard with his tax problems, and eventually working his way up to financial director duties for the entire prison. His expertise with money proves crucial to the film's clever ending.

In *The Untouchables* (1987), it's an accountant once more who proves crucial to the story. Kevin Costner stars as Eliot Ness, a Treasury agent charged with bringing down Chicago mobster and bootlegger Al Capone. But it's a bespectacled accountant, Oscar Wallace (Charles Martin Smith), who points out that if they can't convict Capone for his bloody crimes, they can at least get him for income tax evasion.

Arguably the most heroic accountant in film history is a real-life figure, Itzhak Stern, played by Sir Ben Kingsley in *Schindler's List* (1993) as a fussy, slightly nervous man blinking behind his

spectacles. He nevertheless saved hundreds of lives.

After Stern, himself Jewish, pointed out to Schindler that he could employ Jewish workers cheaper than Polish labourers, he was given free rein to run Schindler's factory, and gave jobs to Jews who would otherwise have perished in Nazi death camps. He forged documents, making teachers and academics appear to be "essential" machinists and factory employees. The film bears Schindler's name, but accountant Stern is its other, less celebrated, hero.

Occasionally, accountants are portrayed as unattractive figures. One such is David, played by Christopher Eccleston in Danny Boyle's 1994 debut film *Shallow Grave*. He's one of three friends in an Edinburgh flat who find their new flatmate dead in his room – with a suitcase full of cash beside him, which they keep. David's

behaviour becomes increasingly odd – he drills holes in the attic to spy on his newly rich friends, and tries to make off with the loot. Not very professional.

In 1984 hit *Ghostbusters*, geeky, awkward accountant Louis Tully, played by Rick Moranis, is possessed by evil forces hell bent on destroying New York city.

And in Billy Wilder's 1960 classic *The Apartment*, Jack Lemmon is an accountant working in a huge New York office who allows his bosses to use his apartment for extra-marital liaisons. Lemmon's character is in danger of losing his moral compass until the love of a good woman (Shirley MacLaine) rescues him.

So do accountants get a fair deal from the movies? On balance, I think so. It would certainly be hard to argue that their portrayal on film has diminished public respect for them as a body. After all, the qualities most people value in accountants aren't necessarily those that translate easily to big screen entertainment.

For every film that portrays accountants as geeky or unadventurous, I can think of another in which they're shown to be decent, smart and sometimes downright ingenious. That's not such a bad professional image. But whatever you think of how the profession is portrayed, it could be worse: you could be bankers. Or politicians. ■



Top row: from left: *Ghostbusters*, *Midnight Run*, *The Producers*, *Dave*. Facing page, main picture: *The Apartment*; Inset: *Shallow Grave*; Left: *The Shawshank Redemption*

David Gritten is the *Daily Telegraph's* film critic and has been writing about films and filmmakers for 20 years.



M

**BARBOUR
WAXED MERTON MAC**
£230 Barbour

As much a part of the British winter as cancelled trains, Barbour has enjoyed some good years in the fashion limelight. Whatever this winter has in store, this full-length mac will keep you warm, dry and feeling and looking good.



M

**BUGATTI GORE-TEX®
FUNNEL COAT**
£350 John Lewis

As practical as it is stylish, this Gore-Tex number will keep you dry in the wettest of conditions. Perfect whether paired with a formal suit or more relaxed casual wear. An ideal all-rounder.



M

**RICHARD JAMES
LAMBSWOOL
OVERCOAT**
£925 Mr Porter

For those who like to invest in quality, there are few names in tailoring to compare with Savile Row maestro Richard James. While going bespoke will dent most wallets, this is an affordable slice of style. Soft, tough lambswool and an excellent cut make it worth every penny.

GET YOUR COAT

A good winter coat is an investment that will last more than a season. Wrap up well with our suggestions



W

**SOMERSET BY
ALICE TEMPERLEY
SHEARLING COAT**
£999 John Lewis

Part of British designer Alice Temperley's new range for John Lewis, this adds a cuddly and stylish twist to the classic Shearling coat. It's good enough for sheep, so why not you, too?



W

**REISS LEO DARK GREEN
FIT AND FLARE COAT**
£295 Reiss

With its fitted waist and flowing, shapely lines, this elegant coat is the perfect way to wrap up without bulking up. An inspired way to get that 1940s silhouette.



W

**KAREN MILLEN
GLAMOROUS
MILITARY COAT**
£325 Karen Millen

As a rule, it's not big or clever to glamorise war, but there are exceptions to every rule.

Clever detailing (such as contrast leather-look lapels) means this military trenchcoat is as timeless as it is on-trend.

INNOVATIVE EATING

Our guest editors review on-trend, enterprising and downright unusual eateries

BREAKFAST

Roast

Borough Market, London

Roast celebrates the best of British produce from its location over Borough Market, near London Bridge. The whole menu is superb, with ingredients selected from the market each day, but I would particularly recommend their splendid breakfasts.

We opted for the Full Borough, which is two for the price of one from 7-8am – at £7.50 per head, this is a steal. Both myself and my guest were unable to finish the fresh organic fare – smoked bacon, Roast-recipe sausages, fried bread, Ramsay of Carluke's black pudding, bubble 'n' squeak and choice of eggs.

You get fabulous views over the bustling early-morning market to St Paul's Cathedral, all in a light, airy setting. Tables are spaced far enough apart to make it perfect for meetings – intimate yet open.

I can't think of a better business breakfast venue. **AS** roast-restaurant.com

LUNCH

Street Food Chef

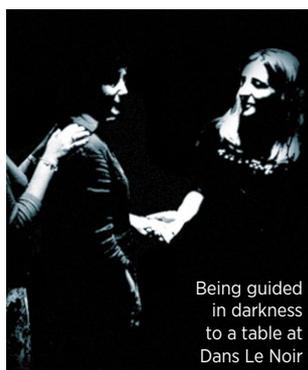
Pinstone Street, Sheffield

Empty shops seem to be on the rise but The Street Food Chef enterprise in Sheffield is bucking the trend. It's a healthy Mexican fast-food joint, offering tacos, burritos, quesadillas and nachos, topped off with an array of delicious dips, all freshly prepared from local produce.

My vegetarian burrito comprised crunchy roasted peppers and onions, plus all the trimmings – salsa, sour cream and guacamole. Food is prepared in front of you and wrapped modestly in foil.

The concept has proved so popular that two other empty shops on the same street have been turned into quality fast-food outlets. Flurt sells fat-free frozen yoghurt and Oriental Bites is an Asian takeaway, plus there is set to be a falafel bar here, too.

Innovative ideas that will help occupy more shops in Sheffield. **SML** streetfoodchef.co.uk



MENU

BREAKFAST

Full Borough, early-bird option
£15 for two

LUNCH

Regular burrito	£3.75
Extra guacamole	£0.50
Pot of sour cream	£1.00
Pot of salsa	£1.00

DINNER

Surprise menu, three courses £51

DINNER

Dans Le Noir

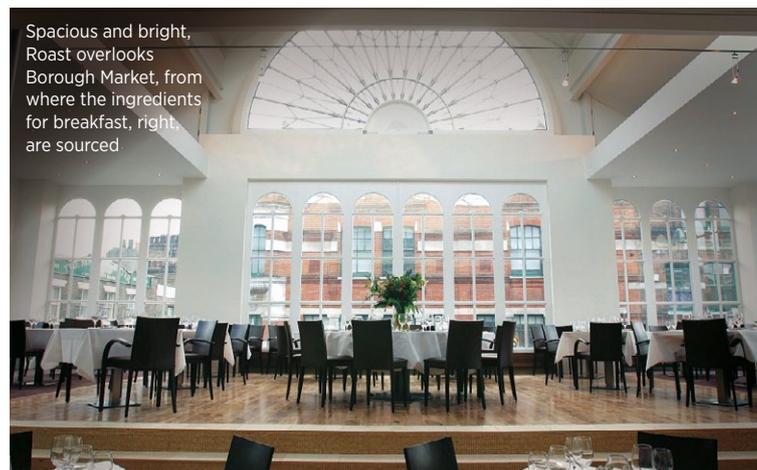
Farringdon, London

After I was told about this restaurant where you are served by blind people, in the dark, I had to experience it.

In the bar we could choose from the meat, fish, vegetarian or surprise menus, then Nadine, our waitress, led us into the pitch darkness.

With our first course came the challenge of how to eat. I struggled with my cutlery and in the end I found it easier to use my hands. I thought I tasted beetroot and it dawned on me that if I was right I'd leave with red hands!

I was told teams often come here and managers like it as there are no distractions and people can finally be heard. It will be something I remember for a long time, leaving with an appreciation of not only my sight but other senses as well. Few would think it possible to run a good restaurant in the dark but this isn't a gimmick, it's real, and it works. **JE** london.dansle noir.com





M

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As much a part of the British winter as cancelled trains, Barbour has enjoyed some good years in the fashion limelight. Whatever this winter has in store, this full-length mac will keep you warm, dry and feeling and looking good.



M

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£350 John Lewis

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M

**RICHARD JAMES
LAMBSWOOL
OVERCOAT**
£925 Mr Porter

For those who like to invest in quality, there are few names in tailoring to compare with Savile Row maestro Richard James. While going bespoke will dent most wallets, this is an affordable slice of style. Soft, tough lambswool and an excellent cut make it worth every penny.

GET YOUR COAT

A good winter coat is an investment that will last more than a season. Wrap up well with our suggestions



W

**SOMERSET BY
ALICE TEMPERLEY
SHEARLING COAT**
£999 John Lewis

Part of British designer Alice Temperley's new range for John Lewis, this adds a cuddly and stylish twist to the classic Shearling coat. It's good enough for sheep, so why not you, too?



W

**REISS LEO DARK GREEN
FIT AND FLARE COAT**
£295 Reiss

With its fitted waist and flowing, shapely lines, this elegant coat is the perfect way to wrap up without bulking up. An inspired way to get that 1940s silhouette.



W

**KAREN MILLEN
GLAMOROUS
MILITARY COAT**
£325 Karen Millen

As a rule, it's not big or clever to glamorise war, but there are exceptions to every rule. Clever detailing (such as contrast leather-look lapels) means this military trenchcoat is as timeless as it is on-trend.

INNOVATIVE EATING

Our guest editors review on-trend, enterprising and downright unusual eateries

BREAKFAST

Roast

Borough Market, London

Roast celebrates the best of British produce from its location over Borough Market, near London Bridge. The whole menu is superb, with ingredients selected from the market each day, but I would particularly recommend their splendid breakfasts.

We opted for the Full Borough, which is two for the price of one from 7-8am – at £7.50 per head, this is a steal. Both myself and my guest were unable to finish the fresh organic fare – smoked bacon, Roast-recipe sausages, fried bread, Ramsay of Carluke's black pudding, bubble 'n' squeak and choice of eggs.

You get fabulous views over the bustling early-morning market to St Paul's Cathedral, all in a light, airy setting. Tables are spaced far enough apart to make it perfect for meetings – intimate yet open.

I can't think of a better business breakfast venue. **AS** roast-restaurant.com

LUNCH

Street Food Chef

Pinstone Street, Sheffield

Empty shops seem to be on the rise but The Street Food Chef enterprise in Sheffield is bucking the trend. It's a healthy Mexican fast-food joint, offering tacos, burritos, quesadillas and nachos, topped off with an array of delicious dips, all freshly prepared from local produce.

My vegetarian burrito comprised crunchy roasted peppers and onions, plus all the trimmings – salsa, sour cream and guacamole. Food is prepared in front of you and wrapped modestly in foil.

The concept has proved so popular that two other empty shops on the same street have been turned into quality fast-food outlets. Flurt sells fat-free frozen yoghurt and Oriental Bites is an Asian takeaway, plus there is set to be a falafel bar here, too.

Innovative ideas that will help occupy more shops in Sheffield. **SML** streetfoodchef.co.uk



MENU

BREAKFAST

Full Borough, early-bird option
£15 for two

LUNCH

Regular burrito	£3.75
Extra guacamole	£0.50
Pot of sour cream	£1.00
Pot of salsa	£1.00

DINNER

Surprise menu, three courses £51

DINNER

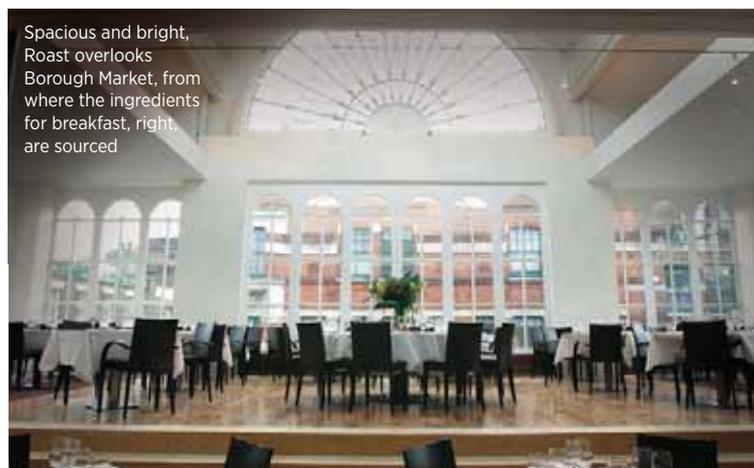
Dans Le Noir Farringdon, London

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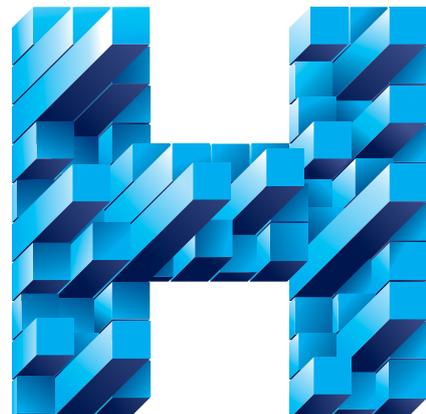
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wins the award for Recruitment Firm of the Year at the FD's Excellence Awards 2012



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The FD's Excellence Awards is held in association with the Institute of Chartered Accountants England & Wales (ICAEW) and supported by the CBI. Over 1000 senior financial decision makers voted.

Kelvin Trott, Managing Director of Alexander Charles, says: "We are delighted that our recruitment skills and unrivalled level of service have once again been recognised by the industry we serve."

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LIFE AFTER WORK

MASTER OF TIME

As master of the Worshipful Company of Chartered Accountants, Clifford Bygrave's schedule is so full, it could hardly be called retirement. **Julia Irvine** talks to him about how he fits it all in

Clifford Bygrave's definition of retirement is more active than most. Officially he retired as a partner from Ernst & Young in 1996, but 16 years on he struggles to find the time for his weekly round of golf.

"It doesn't always work out," he laughs. "There's usually something else cropping up. I probably manage to play three out of five goes."

They say if you want something done, ask a busy person – and they could easily be talking about Bygrave. He is vice chairman and senior independent director on the board of Luton & Dunstable Hospital, chairman and trustee of the Friends of Luton Parish Church Charitable Trust, honorary independent examiner of the United Guilds Trust for livery services at St Paul's Cathedral, trustee and treasurer of his local Methodist church, and trustee

and national treasurer of The Boys' Brigade.

He's also been a member of the Beds, Bucks and Herts Society since it was founded in 1968 (and its president four times). He was an ICAEW council member for 23 years and still gives advice on ethics to ICAEW staff (he wrote most of the international ethical guidance for the International Federation of Accountants).

And, as if that weren't enough, last month saw him take on the mantle of master of the Worshipful Company of Chartered Accountants in England and Wales.

Bygrave's involvement with the Worshipful Company goes back to 1979, just two years after it was established as one of the City of London's 108 livery companies. He's held every honorary post it offers, and becoming master is the culmination of his involvement with ICAEW. "The Institute

really has been my life, from leaving school until now. It's a bit sad, isn't it?" he says, with a twinkle in his eye.

His first function as master will be at the Lord Mayor's Show on 10 November, walking the three-mile route with his fellow masters, toggled out in gowns and regalia. Fortunately, he says, there's a double-decker bus on hand in case anyone can't make it.

As master, he has to run the company, chair court meetings, sit on committees and organise speakers for

"I don't find the pressure a problem... I'm pretty sure I've got as much go in me as many younger people"

seven dinners and the master's event. This year it's on HMS Belfast in memory of his years in the Navy. "I loved all that ceremonial stuff," he says.

He also gets to choose the master's charity, and picked a Boys' Brigade project that gets children off the streets. "I've seen the work they've done, particularly in inner cities. Some of these kids have been turned around completely."

The Brigade is close to his heart. As a teenager he spent six years learning the bugle and marching in the band and only left to devote more time to his accountancy studies: "In those days it was all done at home by correspondence and I really had to dig in because I didn't find it easy."

At 78, Bygrave isn't taking things any easier: "I don't find the pressure a problem. I don't feel tired. In fact, I'm pretty sure I've got as much go in me as many younger people." ■

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The award winning ŠKODA Superb Estate GreenLine Elegance offers the same kind of luxury that is usually reserved for the high-flying executive types. With a combined fuel economy of 64.2mpg,* low BIK of 13% and CO₂ of just 114g/km, you can experience the prestige whilst keeping the bank balance happy.



Business users only. **Image shown includes optional metallic paint.** Figures shown based on Superb Estate Greenline II Elegance 1.6TDI CR 105PS DPF. *Figure may vary depending on road conditions and driving style. Model shown may vary from UK specification.

Official fuel consumption in mpg (litres/100km) for the Superb Estate range: Urban 29.7 (9.5) - 52.3 (5.4), Extra urban 36.2 (7.8) - 74.3 (3.8), Combined 27.7 (10.2) - 64.2 (4.4). CO₂ emissions for the Superb Estate range: 237 - 114 g/km.