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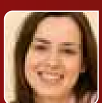
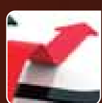
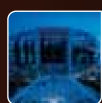

Meet the young CAs profiled in our Rising Stars feature


ICAS President Alan Thomson on business, boards and football


Development and training to round out your management skills


Are the ups and downs of a stock market listing still worth it?

May 2010 Cover image: Mark Davies

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Incorporating The Accountant's Magazine, the journal of the Institute of Chartered Accountants of Scotland

Volume 114 Number 1246


Robert Outram

The IMF's proposal for an internationally agreed financial activities tax would help taxpayers to cover the cost of this banking crisis and the next one, argues Robert Outram

Banks must learn to live with a FAT tax

One thing the political parties in the UK elections can agree on is that the banks are largely to blame for the economic crisis. Indeed, they are competing with each other to see who can sound toughest when it comes to bankers and their bonuses.

Progress appeared slow until last month, when the International Monetary Fund surprised banks and pundits with proposals for a worldwide levy on financial institutions that went much further than predicted.

The IMF study calls for a two-tier levy to be imposed on a financial sector which, it says, has grown too big and too powerful, accumulating too many risks. The new regime would, the IMF says, apply not just to banks but also to a range of financial institutions.

The first element is the "financial stability contribution" (FSC), to be paid by financial institutions, and used to build up reserves for governments to bail out weak and failing firms if needed.

This would be paid at a flat rate at first, but eventually it would be refined on the basis of the size and risk profile of the institution. While this aspect of the plan had been flagged up, banks were not expecting the second element, a financial activities tax (with the all too appropriate acronym "FAT"), based on the profits and the pay structure of the firms.

The IMF had looked at the alternative, a tax on transactions (otherwise known as the "Tobin tax" after its original proposer), but concluded that this would be less practical. The IMF position is that a levy along these lines must be co-ordinated internationally rather than imposed by individual governments.

Chancellor Alistair Darling agrees: "The recognition that banks should make a contribution to the society in which they operate is right."

The Conservatives and Liberal Democrats also welcomed the IMF plan. The British Bankers Association has taken a cautious stance on the proposals, so far only arguing that nothing should be agreed to that could harm the competitiveness of UK-based banks, compared with those in other financial centres.

On the other hand, The Association for Financial Markets in Europe (AFME) has reacted more negatively, arguing that banks should rely on shareholders, not taxpayers, in the event of another crisis.

It said: "Putting further pressure on banks' balance sheets, at a time when they are already facing potentially very large increases in the amount of capital they must hold, would have a stifling effect that would hinder their ability to support economic recovery and growth."

AFME makes the fair point that taxation is no substitute for sound regulation. Allowing institutions to take all the risks they like, as long as they pay their FSC and FAT levy, sounds like a recipe for moral hazard. It seems unlikely that this is what the IMF intends, however.

The AFME also argues that successful institutions should not be made to bear the cost of bailing out failures. But what about the guarantees implicit in the recent rescue packages – and the fact that competitors have been damaged by the crisis, a key factor underpinning their profits?

Governments need a way to pay off the debt racked up in the current financial crisis and to build up reserves for the next one. Charging banks on profits they make from an inherently risky system does not seem an unfair way to do that. ■

ROBERT OUTRAM, EDITOR
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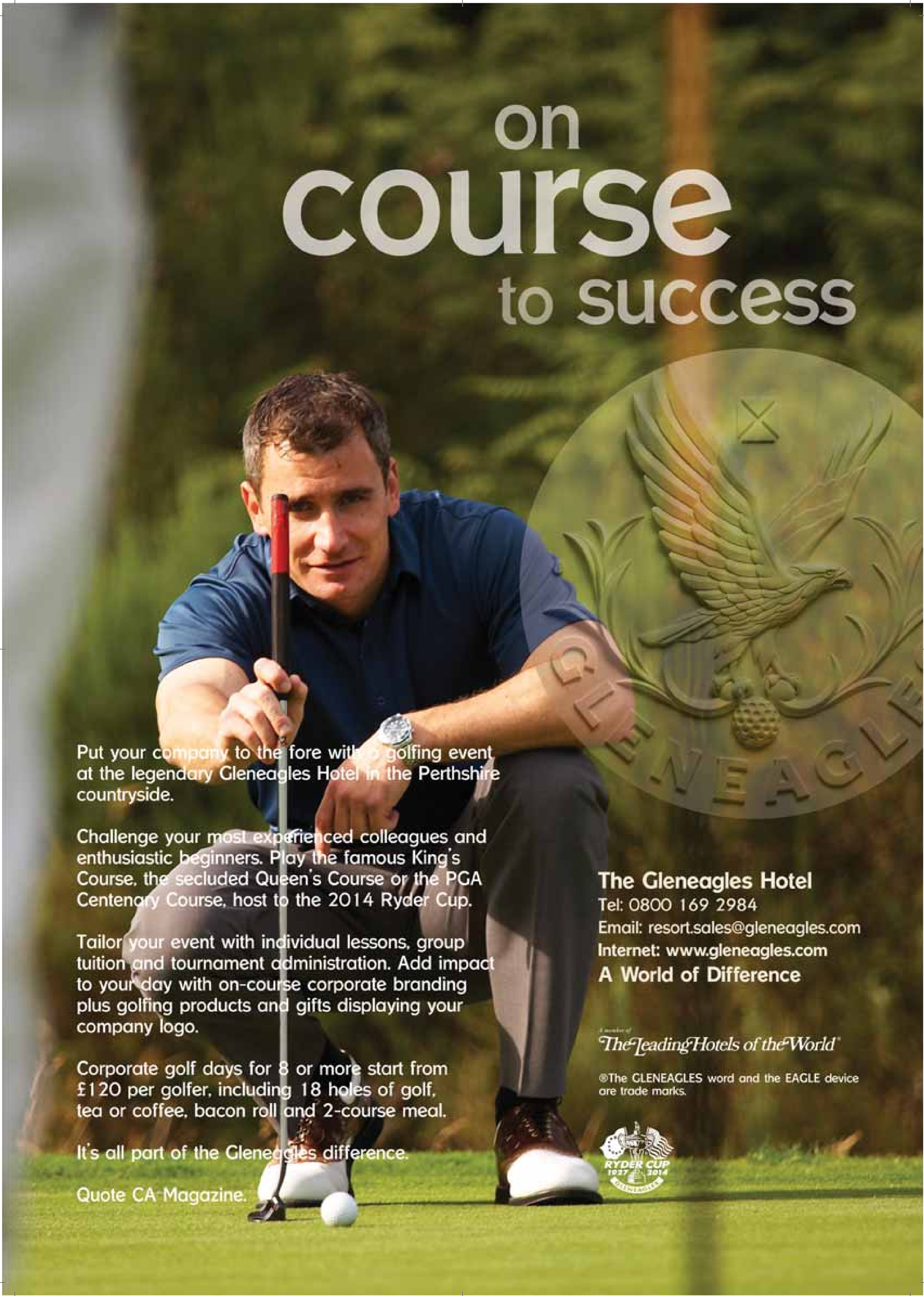
Writers

Details on this month's contributors

MARIANNE LIPP CA is director, transaction services, with KPMG in Aberdeen and explains, in this issue, the pros and cons of an IPO.

JIM BOYLE CA, author of the article on the impact of IFRS for SMEs, is an audit partner with Deloitte LLP, based in Glasgow.

DAWN ROBERTSON, who writes in this issue about gardening leave, is head of employment with law firm Murray Beith Murray in Edinburgh.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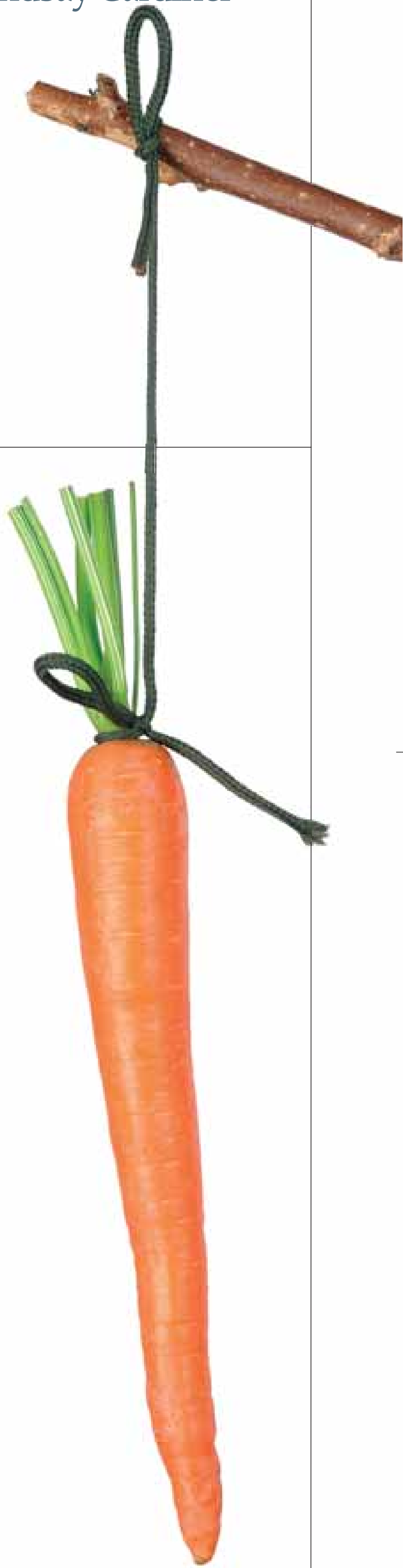
As the economy starts to recover, 'human capital' will once more be recognised as a key resource and accountancy firms must never lose sight of that, argues Lindsay Gardiner

Why people come first...



If a week is a long time in politics, then a financial year during a world-wide recession must have seemed like a lifetime for most UK business leaders. While we are making strides in what will be a steep road to recovery, a number of challenges still lie ahead – and professional services firms will not be immune.

As we are acutely aware, some of the biggest business challenges include the availability of finance and market adaptability, coupled with the need to respond to new customer demands and change management capability.

Systematic risk arising from both business activities and external factors is another key issue facing business and regulatory authorities. During the last 12 months, many financial organisations have raised their reporting game in the face of increasing regulation. I would not be surprised to see the Government's activities to tackle reward and governance in financial services start to spread across other sectors.

There is a need for more effective, global regulation processes, however, we need to ensure that this framework has real accountability and doesn't become too intrusive or counter-productive.

Ultimately, responsibility needs to start at the top, because people, not organisations, choose how they behave and whether they account openly and transparently for their actions – and professional services firms need to lead by example and advise their clients accordingly.

For professional services, as with other businesses, it is imperative to retain and incentivise our best people. Organisations must galvanise their people, clearly articulating the internal options available to them, share the organisational culture, identity and beliefs of the business, and remind them why they chose to work for their employer – be it a competitive salary, interesting work, or business development opportunities in other parts of the business.

During the coming 12 months, as the market picks up, I fully expect to see an increased demand for people with audit skills, particularly as businesses get to grips with increased governance and regulation and the need to better manage internal risk.

Failure to ring-fence top performers – particularly in the highly sought-after areas such as audit, risk and compliance – could be costly, giving carte blanche to competitors to poach them from under your nose.

But it is not just about retaining top performers and nurturing talent from junior levels – there is also the moral imperative to offer young graduates the opportunity to carve out a career.

In the past, professional services businesses – including my firm, PricewaterhouseCoopers – cut back on graduate recruitment only to suffer further down the line as the market picked up. As a result, we took the decision as we entered the recession to maintain graduate levels, bringing in more than 1,000 young people to the business each year, with the majority joining the Assurance practice. We have held our nerve in the market, recognising that regardless of the economic conditions, young people are the lifeblood of the organisation.

As we work towards economic recovery, the war for talent will get more intense – organisations having everything to play for, with decisions taken now determining the employers of choice for the new decade and beyond. ■

Failure to ring-fence top performers could be costly, giving carte blanche to competitors to poach them

LINDSAY GARDINER *CA is head of assurance in Scotland with PricewaterhouseCoopers.*

Alan Thomson

In his first column, incoming ICAS President Alan Thomson explains why he believes financial reporting is at a crossroads

Tunnel vision

One year ago, the Treasury Select Committee published its report on the banking crisis. Below, I've picked out a couple of quotes which I think sum up a major challenge for our profession.

"…the complexity and length of financial reports represent a missed opportunity to improve the understanding that users of accounts possess of the financial health of companies… financial reports… do not tell the reader much of a story."

"…the fact that the audit process failed to highlight developing problems in the banking sector does cause us to question exactly how useful audit currently is. We are perturbed that the process results in 'tunnel vision', where the big picture that shareholders want to see is lost in a sea of detail and regulatory disclosures."

The problems spelled out by this highly influential group of MPs have become more acute in the last few years. I was well aware of them in my role as a FTSE 100 finance director and remain concerned now as a public company chairman and non-executive director. We now have the environment to address these issues – a post-crisis requirement for change in financial regulation. But it seems to me that there has been very little change since the Committee made its comments. What change would make a difference?

ICAS is making a contribution to tackling the increasing complexity of financial reports by issuing our report *Making Corporate Reports Readable*. Our proposal aims to provide the main users of corporate reports, the investment community, with the information of most value to them – how a company earns its profits and the board's view of how that can be sustained. This is demonstrated through the example of a fictional global bank – and all in less than 30 pages!

By focusing on the needs of investors, the document highlights the problem with current annual reports – they have become documents that try to serve many different audiences. Much of the information, important though it is, could be made available outside the annual reporting cycle, on websites or in different corporate publications. This will require changes to regulation, but that should not be an insurmountable challenge.

What then, of the value of the statutory audit? The limitations of the audit have been widely debated. It provides assurance on the financial statements but not the business model. It is not a shareholder safety net nor an excuse for inadequate management to rely upon. We also know that investors value the audit opinion. There needs to be recognition that the statutory audit is valuable, but can never answer all the questions that shareholders and other interested parties expect.

Consequently, alternative assurance needs must be met by a different model. This will require bravery on the part of our biggest audit firms. It will require firms, businesses and investors to tackle the liability issue with more maturity than has been the case in the past.

If you are making big judgements on risks, you can be bolder if you know you have directors and investors who appreciate and recognise what you are providing. ICAS is about to embark upon a project to assess the future of assurance and will report its findings and recommendations.

The business community is currently focused on providing the facts. Our role as ICAS members should be on enabling users to interpret them. ■

See also Interview, page 25

Debrief

Simplifying the reporting process

Making Corporate Reports Readable, the latest contribution from ICAS to the debate on financial reporting, aims to demonstrate that a complex business entity can report the information that really matters in just 30 pages.

ICAS proposes requiring top management to communicate what they see as the most important aspects of past performance and future strategy in 20 to 30 pages, including describing the main business models and risks. The example of Model Bank plc, a fictional banking entity, is a demonstration of how this might look in practice.

Making Corporate Reports Readable is available to view or download, free, from the ICAS website www.icas.org.uk

Compiled by Richard Goslan

Reporter.

Parties put forward their policies

ELECTION FEVER>
The 2010 UK general election campaign has seen a fierce debate over tax and spending plans. While the three main UK-wide parties have all made some pledges on taxation, none has ruled out a future hike in VAT to cut the public sector's deficit. There have been few details on the areas where the spending cuts might fall.

The Labour Party's manifesto includes a promise not to raise income tax rates any further, and also to keep business taxes as low as possible.

As well as these commitments, Labour says it will, if re-elected, commit to:

• speedier diagnoses for NHS patients, including a one-week turn-around for cancer diagnoses
• more "parent power" for schools in England and Wales
• the right to work or training for the long-term unemployed
• doubling statutory paternity leave from two to four weeks
• more support for first-time homebuyers.

Gordon Brown's foreword says the manifesto is "ambitious but affordable, bold but realistic, and learns from the lessons we take from our experience to date."


The three party leaders prepare for their live TV debate

Brown came under fire from a number of business leaders over the planned one per cent increase in national insurance contributions for employees and employers.

The Conservative Party has pledged to reverse the NIC hike and also would cut stamp duty for first-time buyers, not just as a temporary measure. It has promised to raise the inheritance tax threshold to £1m. Tax cuts would be paid for by sweeping "efficiency savings", although the health service would be ring-fenced, the Tories say.

The manifesto also promises reform of programmes for the unemployed, more freedom for local authorities to set their own spending priorities, the right to hold local referendums on council tax rises and rights for local people to take over the running of their schools and Post Offices. The campaign stresses "the big society, not big government".

Conservative proposals to set a yearly cap on the number of skilled workers from outside the European Union who are allowed into the UK have met with a negative reaction from business.

Meanwhile, the Liberal Democrats have reiterated the party's pledge to introduce a £10,000 personal allowance for low and middle-income earners. The measure would cut the average working person's tax bill by £700 and take an estimated four million people out of the income tax bracket altogether.

The move would cost the Exchequer £16.5bn, the party says, and would be paid for by:

• cutting tax relief on pensions for the better off
• raising capital gains tax to bring it into line with income tax
• a "mansion tax" of one per cent, by value, on properties worth more than £1m,
• a new "plane tax" to replace air passenger duty
• a wide range of anti-avoidance measures.

The Lib Dem manifesto also pledges to raise the state pension year-on-year, either in line with earnings or the retail price index, whichever is higher.

The Scottish National Party says it is aiming to get its candidates elected as "local champions" to restore faith in the political process.

The SNP strongly opposes the proposed cuts in public spending, arguing instead for a policy based on growth, warning that if Labour or the Conservatives are elected, Scotland could face "£30bn of cuts" in the next 15 years.

CAs looking to get re-elected

Two CAs are hoping to retain their Westminster seats at the 2010 UK General Election.

Michael Moore is the sitting Liberal Democrat MP for the Borders constituency of Berwickshire, Roxburgh and Selkirk, and he has been deputy leader of the Scottish Liberal Democrats since 2002. John Mason won the Glasgow East by-election for the Scottish National Party in July 2008, taking what had been one of Labour's safest seats.

He had previously been a city councillor in Glasgow for 10 years.


John Mason

All the news you need: facts, figures, changes in the law and the CAs who are making headlines

REFERENDUM>

Close vote means lawyers accept 'Tesco law' reforms

Scotland's lawyers have voted not to oppose reforms aimed at increasing competition in the legal services market.

The Law Society of Scotland's referendum on legal services reform asked lawyers whether they favoured the introduction of "alternative business structures" (ABS), which could mean that non-law firms such as banks or supermarkets could provide legal services directly, and also opens the way for multi-disciplinary practices combining, for example, accountants, lawyers and estate agents.

The vote was won by just 24 votes, with 2,245 for and 2,221 against. It was the largest turnout for a referendum in the Society's history, with 42.6 per cent of those eligible to vote taking part.

The Law Society's chief executive, CA Lorna Jack (pictured), said that the debate, and record voting turnout, demonstrated the Society's "engagement" with its members.

The reforms are enshrined in the Legal Services Bill, already going through the Scottish Parliament, and there was little chance of ABS being dropped altogether given the Scottish Government's commitment.

Ian Smart, President of the Law Society of Scotland, said: "The narrowness of the result clearly illustrates just how the issue has brought out widely divergent views across the profession."

The campaign for a "no" vote was led by Michael Scanlan, President of the Scottish Law Agents Society, He said: "Such a narrow margin does not provide any clear mandate."

BRIBERY ACT>

Tough measures deal with corruption

ICAS has offered to help the Government draft guidance for UK businesses on how to comply with the 2010 Bribery Act.

The Act, one of the last pieces of legislation to go through Parliament before the election campaign got under way, brings in tough new measures against companies and individuals involved with bribery and corruption, even if the alleged offences take place overseas.

"Failure to prevent bribery" will be a specific offence under the Act, and this could leave directors and partners exposed if their staff are found to have been involved in corrupt practices.

"They will have a defence, however, if the organisation "can prove it had in place adequate procedures designed to prevent" persons associated with the organisation from "undertaking such conduct".

Track this online
The text of the Bribery Act 2010 can be found at www.opsi.gov.uk

Paul Provan, assistant director, business policy, with ICAS, said: "Having in place adequate policies and measures to reduce the risk of this criminal behaviour will not only provide protection against the new offence of negligently failing to prevent bribery on the entity's behalf, but will also demonstrate a willingness to comply with UK legislation and may help to mitigate the damage caused by offences being committed."

The Act states that the Secretary of State "must" publish guidance on what constitutes acceptable anti-bribery procedures commercial organisations can put in place to prevent persons associated with them from bribing.

It also states that Scottish ministers must be consulted before this is published.

So far, there has been no detail provided on the proposed guidance.

Provan said: "It is a concern that this could be introduced at the last minute, with no chance of a public consultation on whether the measures proposed would be acceptable and up to the task."

See also Law, page 53.

WORK PLAN>

IFAC's Education Standards Board adopts new strategy

Clearer standards in accountancy education and guidance on their implementation are the aim of the International Accounting Education Standards Board (IAESB), which has issued its strategy and work Plan for 2010-12.

The work plan focuses on enhancing International Education Standards (IESs) and providing guidance for IES adoption and implementation. It also clarifies the obligations for the education, assessment, and development of accountants."

ACCOUNTING>

Financial instruments

The UK's Accounting Standards Board has condemned the proposed reforms of the international financial reporting standard on financial instruments.

The ASB was responding to the International Accounting Standards Board's exposure draft *Measurement of Liabilities in IAS37*.

The ASB said: "The proposals will not lead to the production of decision useful information, and consequently do not represent an improvement in financial reporting."

Pictured (from left) Johnston Carmichael partner Graeme Fraser, with the students, Katy Thomson and Grant Mitchell

Supporting the next generation

RECRUITMENT>

Aberdeen-headquartered accountancy firm Johnston Carmichael's commitment to developing and nurturing young talent has been further reinforced – with two students set to join the firm on placement this summer as part of its well-established bursary scheme.

The initiative – now in its eighth year – sees the firm continue its strong relationship with the University of Aberdeen, and provides the selected students with the opportunity to complete eight-weeks' work experience at Johnston Carmichael's offices, as well as financial support of £1,000.

This year's students, who are all currently studying for their MA Accounting degree at the university, are Grant Mitchell and Katy Thomson, who are both from Aberdeen.

As part of the placement, the two students will experience a range of practical accountancy disciplines and practices, including tax, auditing, corporate recovery and corporate finance.

PKF SURVEY>

Scottish hotels sector in 'fragile' state

Scotland's hotel sector is facing a difficult period of trading, with occupancy levels lagging behind the rest of the UK, according to research by PKF.

PKF's monthly survey shows that Scotland saw the lowest increase in hotel occupancy, but only a slight fall in rooms yield (the industry's measure of revenue).

The survey found occupancy levels rising less than the rest of the UK and prices falling slightly, although less than in regional UK and in England.

During February, occupancy in Scotland's hotels increased by 2.7 per cent. It was up 3.8 per cent in regional UK; up 3.7 per cent in England and up 9.0 per cent in Wales. Rooms yield fell by 1.6 per cent in Scotland; was down 2.6 per cent in regional UK; down 2.9 per cent in England, but up by 9.7 per cent in Wales.

Although Scotland had the lowest increase in occupancy, it remains the second highest figure of any region of the UK after Wales and even though rooms yield fell slightly during February in Scotland it is, at £42.96, the highest figure of any part of the UK.

Alastair Rae, a partner in the real estate and hospitality sector at PKF, said: "Demand is clearly still subdued."

ICAS RULING>

Surrey accountant disciplined by ICAS

Mervyn Eric Smith, the principal in the firm of Mervyn E Smith & Co in Sutton, Surrey, has been severely reprimanded and ordered to pay a penalty of £7,000 and costs totalling £53,000 by the discipline tribunal of ICAS.

Smith was found guilty of three charges of professional misconduct and one charge of professional incompetence in respect of the advice that he gave to the company PC Shopfitting Contracts Limited before and after it went into liquidation.

The tribunal found that Smith had advised the company that it could continue to trade at a time when he knew it was insolvent; that he sought and accepted an appointment as liquidator of the company when he had a prior material professional relationship with the company; that he withdrew sums from a client money bank account which he took toward payment of his fees without the prior agreement of his client; and that he gave professional advice to the company and its director without ensuring that advice was properly documented.

Cider duty hike and phone line levy are dropped from Finance Bill

TAXATION>

The planned 10 per cent duty rise on cider and the 50p broadband levy are among the measures in the Finance Bill that were dropped, as Parliament struggled to clear its decks ahead of the general election.

The above-inflation duty rise for cider was introduced in the Budget in March, with immediate effect, but it will now be scrapped as of 30 June.

Labour says the rise brings cider into line with other equivalent drinks, and has pledged to reinstate the measure if re-elected.

The 50p levy on telephone lines, introduced to fund high-speed broadband throughout the UK and due to come into effect from October this year, and a measure withdrawing tax relief from holiday homes that are rented out, have also been dropped.

Among the non-tax measures failing to pass the "wash-up" are a restriction on "no win, no fee" solicitors charges and a package of constitutional reforms that was intended to be put to a public vote.

Meanwhile, 30 more business leaders have added their voices to the call to scrap the proposed one per cent hike in National Insurance.

Letters

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This month's letters: • Responses to Anton Colella's blog on proposals to exempt small companies from statutory audits • A different take on AIG • Outrage over pronoun mix-up

Blog replies

A BAD IDEA DISGUISED AS A BUSINESS BENEFIT

The European Union's Council of Ministers is considering a proposal to exempt all "small" companies from the requirement for a statutory audit. In his blog on www.camagonline.co.uk, on 23 March, ICAS chief executive Anton Colella explained why the Institute believes that this would be a retrograde step. Below are two responses to Anton Colella's blog.

THE PROS AND CONS

For: abridged accounts at Companies House don't tell you a lot about credit worthiness. Credit references from other suppliers might help more. So why not make the saving?

Against: Will there be draconian powers exercisable on a test basis, "pour encourager les autres"?

I agree it needs thought and full disclosure of purpose.

Gordon Kenneth CA

DEADLINE SHOULD BE CUT

You are correct with your view. A major task for businesses these days is credit control. What I find is that the information that cannot be seen because modified accounts are filed is a real hindrance when attempting to assess a credit risk.

Also, the time allowed for filing accounts is far too generous. The new reduced deadline of nine months is useless when considering credit risk. Also, Companies House does not appear to be bothered with companies that are in default – this is my experience from phoning Companies House to complain about overdue accounts. If traders want the protection of limited liability, then that protection should be immediately withdrawn as soon as a filing default occurs.

The filing deadline should be reduced to three to four months, so that the information is more current.

Jim Paterson CA

Letter of the month

IN ASSOCIATION WITH Benromach

Write a letter of the month and you could win a bottle of Benromach Traditional Scotch whisky, a bottle of Benromach Marsala Wood Finish and a bottle of Benromach Peat Smoke whisky, with two blenders' glasses.www.benromach.com

Reality check required

City column

The naked truth about swaps

"The issue causing controversy is 'naked' trading of sovereign CDS"

Dear Mr McCrone (City column, April 2010) is living in another world. Credit derivatives destroyed AIG, which, through its Financial Products branch in London, wrote these contracts as if there was no tomorrow. As a result, the US Federal Reserve had to rescue AIG to prevent a systemic failure.

As the great Warren Buffett has remarked, these products are "weapons of financial mass destruction".

Just read the article "AIG Financial Products" on Wikipedia to see how this works. Banks transfer risk to parties who are not regulated. When these parties are unable to meet their obligations, the systemic collapse arises.

Angus McCrone paints a beautiful picture unmatched by reality.

James SH McLaren CA, Dunbar, East Lothian

The truth is out there...

I suspect I'm not the only CA outraged by the introduction to the article "The X Files" on page 42 [of the March issue]. It reads "or XBRL to you and I" but should of course read "or XBRL to you and me". I should be obliged if you would point out the mistake.

Elspeth Napier MA CA

A banking crisis or a political crisis?

The Treasury Select Committee's summary of the report on the banking crisis begins: "The banking crisis of the last two years resulted in Government support for the sector around the world amounting to almost a quarter of global GDP".

But wasn't it primarily a political crisis?

The fact that the UK is doing badly in the global competitiveness stakes led some politicians here to believe that regulation of the risky but export-winning financial sector should be further loosened. And, as we know, this ended in financial disaster.

The BBC reports today (Tuesday 30 March) that five government heads – the US, France, South Korea, the United Kingdom and Canada – are publicly calling for action on the faultlines in the global economy. As an interim measure, the US is also reconsidering its trading relationship with China.

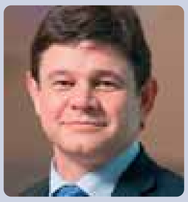
Overall, leading nations have decided that an international political solution is essential. However, the G20 still has to address the crucial global trading imbalances.

Ian Jenkins CA

Posted in response to news story "Treasury MPs call for audit overhaul" on camagonline.co.uk

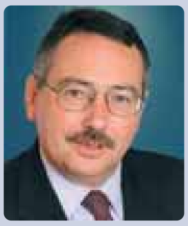
Movers and shakers

McGRORY MADE PARTNER>



Law firm Shepherd and Wedderburn has appointed experienced oil and gas industry lawyer **Kevin McGrory** as partner in its Aberdeen-based energy practice. With more than 25 years in the oil and gas sector, McGrory has held senior positions as an in-house lawyer at a number of leading oil and gas companies, including Unocal, Chevron, Anadarko Petroleum Corporation, Delta International and Fairfield Energy Limited.

PAYNE HEADS NORTH>



Baker Tilly has appointed **David Payne** as tax partner in its Glasgow office. The corporate and personal tax specialist has more than 25 years of experience working with clients including large PLCs, subsidiaries of international businesses, owner-managed companies, law firms and other professional practices. Payne joins Baker Tilly in Glasgow from the firm's Crawley office, where he was office managing partner for seven years and the firm's UK head of tax between 2003 and 2006. He is a member of Baker Tilly's European and international tax group.

• Edinburgh-based accountancy firm Johnston Smillie Ltd has appointed **Lea Brash CA** as an associate. The firm, which has been in business for more than a century, provides a full range of added value and compliance services to a growing range of business and personal clients.

• **Kathryn Cearns** has been appointed as the chair of the Financial Reporting Advisory Board (FRAB). She will take up the appointment with effect from 4 June. Current chair Elwyn Eilledge CBE will step down following the 3 June FRAB meeting, having chaired the Board since its inception in 1996. Cearns has been a project director to the UK Accounting Standards Board and a technical author on financial accounting and auditing. She currently chairs the ICAEW Financial Reporting Committee.

• **Graeme Jenkins CA** has joined FirstGroup plc as finance director (UK Bus). He joins from John Menzies plc and British American Tobacco.

• **Derek Gardner CA** has been appointed chief financial officer of Skyscanner, having previously been with Giles Insurance Brokers.

• Standard Life Investments, the global fund manager, has appointed **Colin Clark** as director of its global client group. He has been a non-executive director of Standard Life Investments for more than five years. Clark was previously with Merrill Lynch Investment Managers and prior to this he was with Mercury Asset Management.

• HSBC has appointed **Scott McClurg** to the bank's Scottish corporate banking team, based in Glasgow. McClurg, who has over 12 years of experience, has held a variety of senior roles in corporate finance, the banking industry and within SMEs.

• Scottish law firm Biggart Baillie has appointed **Wayne Lawrence** as its new head of corporate. Lawrence, who has been a partner at Biggart Baillie for more than 13 years, is a commercial lawyer and non-executive chairman of Stirling Fibre Limited, Scotland's largest independent provider of waste solutions.

• PricewaterhouseCoopers LLP has strengthened its forensic technology practice by hiring three data analytics specialists. **Graham Ure**, previously of KPMG, has been appointed as a director to lead data analytic services. He has extensive experience of complex data-intensive engagements and of the application of analytical techniques to detect and prevent fraud. He is joined by **Mark Chopping** and **Rob Wilson**. Both were also formerly at KPMG.

• Chancellor of the Exchequer Alistair Darling has announced the appointment of **Dame Sandra Dawson** and **Amanda Davidson** as non-executive directors of the Financial Services Authority. They will take up their posts on 1 May 2010.

• Barnett Waddingham, the independent firm of actuaries and consultants, has appointed **Malcolm McLean, OBE**, as a consultant. McLean, who is well known in the pensions industry, joins the firm following a high-profile career. Most recently, he spent 13 years as the chief executive of The Pensions Advisory Service, stepping down from the role in April 2010. Before that, he was General Manager/Secretary to the former Occupational Pensions Board. ■

NEW DELOITTE DUO>

Deloitte has made two new appointments to its Scottish practice. **John Watt CA** (pictured left) has joined the company as an associate partner in its government and infrastructure practice. **Pat Kenny CA** joins Deloitte as a director in the firm's audit practice, where he will continue to grow the public sector audit and advisory practice in Scotland. Watt will be responsible for building the firm's government and infrastructure advisory business in Scotland, working across Deloitte's consulting, audit, tax and corporate finance practices. Kenny joins Deloitte from Mouchel, the global public sector business, where he led a team of 70, working in local and central government, transport and the police service. He has also held positions at SAP UK, Cap Gemini and the East of Scotland Water Authority.

Notepad.

THEY SAY WE SAY>

They say

"What we are seeing in Scotland is an increase in administrations as the recession improves slightly and makes the recovery of borrowings more viable. The increase in liquidations, amongst other things, will reflect a change in HMRC's attitude towards payment plans which are becoming much more difficult to obtain."

David Hunter, head of insolvency with Campbell Dallas, comments on the latest insolvency statistics

We say

In the 1990s, the banks came in for severe criticism over their readiness to "pull the plug" on businesses that were suffering what, in some cases, were short-term difficulties. This time round, the banks seem to be a lot more circumspect about invoking formal insolvency. Now, is it HMRC and other Government agencies that will prove to be the "bad guys" of this recession?

Street kids get their kicks from football with Deloitte's help

STREET CHILD WORLD CUP>

Renee Rowland has just come back from the World Cup in South Africa. Not the major FIFA event kicking off next month, but the very first World Cup run for street kids.

Rowland is an assistant at Deloitte's Edinburgh office, and the firm is the sponsor of the Street Child World Cup, held in Durban and hosted by South African street children's charity Umthombo.

She joined 80 volunteers from around the world to help make the event happen. Organised by a network of NGOs and voluntary groups, led by the Amos Trust, the Deloitte Street Child World Cup brought together children from Brazil, India, Nicaragua, the Philippines, South Africa, Tanzania, the Britain, Ukraine and Vietnam. India took home the prize with a 1-0 victory in the final against Tanzania.

The event attracted teams from around the world

PIC: COPYRIGHT WILF WHITTY/AMOS TRUST

Renee said: "The opportunity to take part in the inaugural Deloitte Street Child World Cup was a life-changing opportunity.

My involvement and the experience really opened my eyes to a completely different world. To be able to give back something to these children was really rewarding."

As lead sponsor, Deloitte provided both financial and voluntary support to the project, with Deloitte employees giving their time and expertise in the run up to the event and at the tournament itself.

The event also received backing from football heroes like David Beckham, Gus Poyet and Eduardo.

BOOK REVIEW>

Obliquity

By John Kay (Profile Books, £10.99)

John Kay is a reformed economist. That is to say, he used to run a consultancy that offered economic models as a basis for decision making.

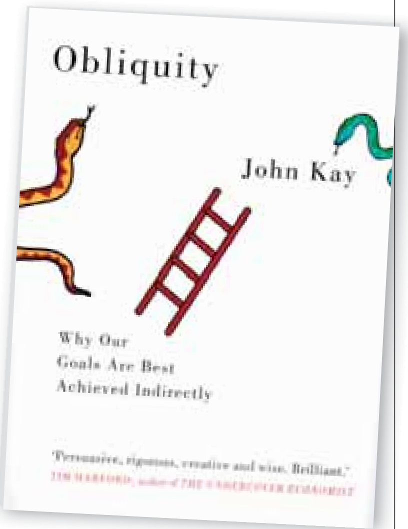
Eventually, however, he grew sceptical as to whether the models really were being used as the basis for decisions, or simply to justify decisions that had already been made.

The latter path looks like an irrational one but, as Kay argues in this elegantly written book, apparently irrational ways of going about things can sometimes be the best way to achieve your objectives.

This book is subtitled "Why our goals are best achieved indirectly" and Kay looks not only at the personal level – where happiness, for example, is often found not by pursuing it directly – but also at the level of corporations and governments.

Kay finds numerous examples, from Boeing to Citigroup, and from ICI to General Electric, to show that when a business overtly makes "shareholder value" (or simply personal greed) its mantra, it almost always fails. In contrast, Kay argues, some of the most successful (and profitable) businesses in the world are driven primarily by something other than the profit motive – for example, by a philosophy of excellent customer service, or by the desire to tackle technological challenges.

"Obliquity" is, then, the art of achieving objectives by apparently indirect ends. Kay not only sets out the theory, but also suggests ways in which it can be used. Looking at the damage brought about by following what appear to be highly rational models and processes, Kay makes a case for the alternative.



Taking a livelier look at the professional world

CHIENE & TAIT>

(From left) Gavin Morton, audit team member Thomas Rowntree and Graham Middlemass

Audit in Afghanistan

Staff sometimes complain when they have to go a little further up the road than they're used to for an audit, but how about Afghanistan?

An audit team from Edinburgh-based firm Chiene & Tait has just returned from Kabul, where they where they have been auditing the accounts of the Scottish registered charity, Turquoise Mountain Trust.

Audit manager in charge, Graham Middlemass, said: "it was a great experience and most interesting to be involved with a non-governmental organisation carrying out vital community and educational work in the historically important Murad Khane district in the capital, Kabul."

The charity, which focuses on this part of the city, is involved with urban regeneration, community development and education.

The firm's managing partner, Gavin Morton who accompanied the audit team on the trip, added: "We are delighted to support the work of this charity."

GOOD MONTH>

Lloyd Blankfein

★★★★★

The chief executive of investment bank Goldman Sachs reported first quarter results last month of $3.4bn. The havoc wreaked on rivals by the global financial crisis left has Goldmans in a stronger position than ever, and an estimated $5bn or so of bonuses is due to staff and directors at the bank. Ker-ching!

BAD MONTH>

Lloyd Blankfein

Goldmans won't be so happy about the fraud charges levelled at the bank by feared US regulator the Securities and Exchange Commission. The bank is accused of colluding with hedge fund Paulson & Co to sell "toxic" mortgage-based securities, while Paulson took a position that meant it gained massively when the market crashed.

NEXT MONTH>

in London

↘TO VISIT...

Greenwich and Docklands International Festival
24 June–4 July
Who said you can't enjoy the outdoors and a spot of culture? Not the organisers of the Greenwich and Docklands International Festival. They call it a "tour de force of outdoor arts", which is probably fair given the event bagged two accolades from the BT Visit London Awards – the Silver Award for Accessible Tourism and the Gold Award for Best Consumer Event of the Year. Expect exciting spectacles in green spaces based around the theme of the environment.
For more information, visit www.festival.org

↘TO STAY...

Four Seasons Canary Wharf
As well as being close to the action at the Greenwich and Docklands International Festival, the hotel is in the prime location to enjoy views across the Thames. It's also handy for London City Airport and the local river taxi, which is just a two-minute walk from the hotel. If watching the festival's performers inspires you to kick-start physical activity of your own, there are fitness facilities on site, as well as an indoor pool and spa. Dining is courtesy of Italian restaurant Quadrato. Rooms start from £150 a night.
For more information, visit www.fourseasons.com/canarywharf

PARKING CHARGES>

Driveways for hire

Log on for an alternative to the expensive airport car parks. Two websites **www.parkatmyhouse.co.uk** and **www.yourparkingspace.co.uk** offer a cheaper option. Sit your motor in the driveways and garages of householders close to your transport hubs, at a fraction of the cost of airport parking.

FLIGHTS CHAOS>

Volcano hits Europe

As CA Magazine went to press, flights all over Europe were still grounded as a result of the continuing eruption of the Eyjafjallajokull volcano in Iceland. The eruption has caused unprecedented chaos, with all air travel suspended over fears that the fine volcanic ash poses a threat to aircraft engines.

At the time of writing, airlines were protesting that the blanket ban on flights was an excessive reaction to the threat, while the UK government was exploring using the Royal Navy to help stranded Britons get back from Spain, which is still open to international flights.

Need help?
UK citizens stranded abroad should check out the Foreign Office website www.fco.gov.uk

GADGET WATCH>

In-car wi-fi takes to the road

Mobile telecoms company 3UK has launched a compact modem that turns your vehicle into a wi-fi hotspot.

Fire up the modem, punch in your reference number and hey presto, you can connect devices such as laptops, smartphones and gaming devices over a 3G network. The £59.99 price tag gets you a MiFi® Huawei wireless modem, mains charger, in-car charger, windscreen holder and a 1GB data limit that lasts up to 30 days.
For more information, visit www.three.co.uk

Mega airline to lift off

British Airways and Iberia have signed a merger agreement, which will lead to the creation of one of the largest airline groups in the world.

The combined organisation will be known as International Airlines Group, although both airlines will still run separate operations under their individual brands.

Willie Walsh, British Airways chief executive, said: "The merged company will provide customers with a larger combined network. It will also have greater potential for further growth by optimising the dual hubs of London and Madrid and providing continued investment in new products and services."

TRAVEL SHORTS>

- Ryanair has increased its fee for checked-in baggage for flights during July and August – up to €20 per bag from €15.
- Concierges at selected Intercontinental Hotels, including London Park Lane, are to be given Apple iPads to assist guests. Interactive maps, email to book restaurants and video to show local activities are just some of the applications for the technology.
- A route between London Heathrow and Berlin has been launched by bmi. Return fares start from £99 return. *www.flybmi.com*

The next generation of CAs have taken their qualification as a launch pad for a diverse range of positions, both in the profession and in the business world.

Richard Goslan profiles some of the brightest prospects in the CA community

Topguns

Kate Baker
Wingrave Yeats

Working at Wingrave Yeats in London, Kate says no two days are ever the same. As a newly qualified CA, she is involved in all aspects of the business, from new client tenders, media lunch-club meetings, marketing and tax investigations, through to statutory accounts and audit. Kate says: "I wear the CA badge with honour after the hard work and total dedication given during my training period – it makes all the hard work and late-night study sessions worth it."

Kate is also chair of CAPELLA, the ICAS student society, which was recently voted Student Body of the Year in recognition of the diverse programme of events it organises, both social and career-focused.

She is also planning a sabbatical trip to a school in Kathmandu, Nepal, to perform a financial health assessment of the charity before travelling across parts of Asia. She ran the London marathon last year, raising £4,000 in the process, which has helped to inspire her to her next challenge; training to swim the Channel by relay next summer.

Mark Barry
Symphony Corporate

Mark Barry, an associate director in Symphony Corporate, is one of the youngest operators in Scotland's turnaround market.

Through supporting Symphony's investee companies and providing advisory services to a wide range of companies, Mark has developed expertise on a range of corporate finance activities and created value for investors, lenders and stakeholders through cash management and operational restructuring.

Mark says: "The excitement of working at Symphony is the diversity of the tasks and the frenetic pace of activity. Working at board level, effecting company-wide change programmes in tight timescales is a tremendous challenge."

Initially studying law, Mark qualified with KPMG in 2005, working with the restructuring team throughout the UK on financial advisory assignments for businesses facing debt and cashflow problems.

Outside of office hours, Mark enjoys golf, football and is currently training for his second half-marathon.

Craig Cosham
Deloitte

Craig is a director in Deloitte's financial services audit practice and was one of firm's youngest directors, having been promoted to that position at the age of 29. He spent his early career serving large listed companies. Specialising in financial services from 2002, Craig has extensive retail banking and capital markets experience and is the lead audit director for RBS, managing a team of about 50 people. Craig also leads the treasury assurance practice in Scotland.

Craig has extensive retail banking and capital markets experience and is the lead audit director for RBS

Craig lives in Edinburgh with his wife and 15-month-old son. Not afraid of a challenge, Craig has completed both the Caledonian Challenge and the Rob Roy Challenge twice in recent years.

Judith Crawford
KPMG

Judith wonders if being born on 5/6/78 meant she was predestined to be an accountant. Her head for figures helped her achieve a BSc (Hons) in Mathematics from the University of Glasgow, before qualifying as CA

Judith's motto is that the glass is always half full. "I love my job and want to encourage others to feel the same," she says.

with KPMG in 2003. As part of her CA exams, Judith was listed second in order of merit at TPS level and fourth at TPE level.

She was promoted to senior manager at KPMG in 2008, and as part of its Emerging Leaders Programme she has recently travelled to Switzerland to work with other emerging leaders across the European practice.

Judith runs quality control for Scotland Audit and was finance manager for Scotland Audit until last October. She works on UK GAAP, IFRS and US GAAP clients, giving her a large network of foreign office contacts as a result. It's not all glamour, however – Judith says her worst trip was to Oulu in Finland, where she had to eat reindeer two weeks before Christmas.

Judith's motto is that the glass is always half full. "I love my job and want to encourage others to feel the same," she says.

Francesca Evangelisti
Morgan Stanley

Francesca had already completed a law degree before settling on accountancy, going on to train with Andersens/Deloitte in corporate tax.

She then joined the Enterprise Risk service line performing internal audit assignments and process reviews for a variety of clients.

She moved into financial services in an accounting projects role at Abbey National, and joined Morgan Stanley's Glasgow office in 2005, where she has performed a number of roles. Francesca is now vice-president, Global Funding Controllers, where she manages the Bank Resource Management Controller team.

It provides support for units involved in the financing of the business, including elements of balance-sheet substantiation, profit and loss reconciliation and involvement in the different initiatives under way as a result of market conditions and associated regulatory regimes.

Lee Evans
Ernst & Young

Lee graduated with a first-class honours degree in Accountancy and Finance at the Warwick Business School, and then qualified as a CA with Ernst & Young in December last year, with first-time passes.

As an assurance executive his responsibilities now include client liaison, project management and audit in areas with complex accounting treatment.

> Lee has been vice chair of CAPELLA and helped spread the CAPELLA word out to the English regions

For the current year, Lee has been vice chair of CAPELLA and helped spread the CAPELLA word out to the English regions, where CA students are situated, to ensure they have opportunities to network with fellow CA students and also have access to support where necessary.

This year, Lee has also helped CAPELLA set up a presence in Manchester, Reading and Bristol, with a current focus on Birmingham.

Cara Haffey
PricewaterhouseCoopers

Currently corporate finance assistant director, Cara was a CA exam prizewinner in 2002, was named Scotland's Emerging Dealmaker in 2007 and continues to be a rising star in PricewaterhouseCoopers.

She has worked on a number of high-profile transactions across Mergers & Acquisitions and debt advisory this year, and also has a key role in the firm's dedicated international Mergers & Acquisitions team.

A graduate of Lancaster University, Cara joined PricewaterhouseCoopers in 2000 after working at British Airways.

She balances her work life with being a mother and also being an active member of St Georges Tron Church.

Jonny Jacobs
John Menzies

At 27, Jonny Jacobs is a commercially focused CA who has already accumulated a wealth of experience.

He qualified in 2006 with KPMG, picking up an ICAS commendation along the way, and gained valuable experience on secondment at BAA and with KPMG's lead advisory corporate finance team.

The tour of industry tempted Jonny into the commercial finance team at Scottish & Newcastle Pub Enterprises (now Heineken).

Jonny was voted the youngest representative onto the Heineken Employee Council, allowing him to influence structural change within the UK business.

His work on performance improvement earned him a prestigious Heineken award.

Jonny is currently trying to master Polish and is marrying his fiancé in September.

Malcolm Kpedekpo
Panoramic Growth Equity

Malcolm has not looked back since hanging up his boots as a professional footballer at Aberdeen to train as a CA.

Last year, he set up Panoramic Growth Equity (PGE) with two other partners, with the aim of increasing the supply of equity to SMEs throughout the UK.

PGE is currently raising a £32.5m fund, and has secured £21.7m from the UK Government's Enterprise Capital Scheme. PGE was the first to a Scottish-based company to benefit from that scheme, and expects to close the fund shortly.

Malcolm met his two partners at PGE

> Malcolm has not looked back since hanging up his boots as a professional footballer at Aberdeen to train as a CA.

when he was with the Bank of Scotland's growth equity team.

Prior to that, he trained and qualified with KPMG in Aberdeen and then went to Australia with KPMG for five years in its audit and corporate finance departments.

Malcolm says he doesn't miss playing football, and with a young family and the occasional round of golf he has plenty to keep himself busy.

Jason McBurnie
Pricewaterhousecoopers

An assistant director with PwC's corporate finance team, Jason was recently named as Scotland's Emerging Dealmaker of the Year, ahead of very strong competition. The panel said of McBurnie: "This is someone who is playing an increasingly active role on the deal-making scene and beginning to source his own transactions".

One advisor who worked with him on a deal praised his "professional approach and well-balanced style" as well as his ability to anticipate issues in advance.

Jason has acted as lead advisor to a range of

> Jason has acted as lead advisor to a range of clients from entrepreneurs to top-tier PLCs over the past nine years

clients from entrepreneurs to top-tier PLCs over the past nine years and has worked to secure several deal completions through a challenging M&A market, including the £65m sale of Weir's Strachan & Henshaw business to Babcock.

He also worked on the disposal of the materials and foundry division of the Weir Group to two buyers in two days, and the design of an innovative £37m capital restructuring package for First Milk.

>

Matt McCreath
KPMG

Matt has more than three years of direct deal involvement on more than 15 completed transactions, covering buy-side and sell-side diligence assignments for corporates and private equity backed businesses, as well as reporting accountant's work.

Notable recent transaction experience includes Patron Sports Leisure's acquisition of Powerleague Group, Aberdeen Asset Management's Class 1 acquisition of certain Credit Suisse asset management companies and contracts, Clyde Blowers' acquisition of the four businesses which comprised the Fluid and Power division of Textron Inc, and Souter Investments and Management's acquisition of Argent Energy.

Matt went on a three-month secondment to Germany to gain additional experience in Europe, and completed the Caledonian Challenge last summer.

David Mitchell
Ernst & Young

David qualified as a CA at Ernst & Young in 2007 and, in recognition of his work, was promoted to audit manager the following year.

He already has experience of working across various industries, including industrial manufacturing and consumer products, and currently advises a number of key Scottish clients with global operations.

David is part of the firm's Accelerated Leadership Programme, which is targeted at a small proportion of high-performing individuals who demonstrate strong partnership potential. He has also spearheaded an internal business awareness forum, aimed at increasing the commercial skills and knowledge of audit executives within the firm.

David has also played international hockey, competing for Scotland in the 2006 Commonwealth Games in Melbourne.

Kathryn O'Sullivan
Henderson Global Investors

Having decided on a change of career, Kathryn qualified as a CA with KPMG 2003 and moved to Henderson Global Investors in 2006. She joined at the beginning of Henderson's operation in Luxembourg and is now head of finance, Luxembourg.

Kathryn is currently enjoying a busy and varied role in the real estate financial world, managing the local finance operation for one of Henderson's leading property funds. She says: "Becoming a CA is the best thing I've ever done, it has opened doors and provided excellent opportunities."

> "Becoming a CA is the best thing I've ever done, it has opened doors and provided excellent opportunities" – Kathryn Sullivan

With CA training now available to Luxembourg trainees, Kathryn says she "takes every opportunity to meet and encourage the students and remind them the CA qualification is hard work but worth it."

Alongside her full-time role, Kathryn is an officer in the Royal Naval Reserve and finds the contrast between finance and frigates stimulating. "Being at sea, working in a highly-pressurised battle staff, concentrates the mind and is a different but equally rewarding experience to being a CA."

Nicola Oxlade
Ernst & Young

Nicola currently works for Ernst & Young as an assurance associate, after joining the firm in 2007 as an undergraduate on the EY Degree Scheme.

The biggest achievement in Nicola's career to date is to sit on the ICAS Accounting Standards Committee as its first student member.

"This has enabled me to concentrate more of my time on changes within the industry and has given me the opportunity to learn about the more complex accounting issues from some of the best in the field," she says.

"I believe the CA qualification has put me in a fantastic position for my career, as it encourages the right balance of practical, technical and ethical skills."

Nicola also has an unusual achievement on her CV – she is also a former Miss UK finalist!

Jamie Partridge
Deloitte

Jamie has been involved in a wide range of projects for financial services companies in the UK and overseas during his time with Deloitte. His determination and hard work have been at the heart of his fast-track career, seeing him promoted to director level in 2008 within Deloitte's financial services audit practice. He now leads their investment management practice in Scotland.

As well as working with institutional fund managers, investment companies, hedge funds and collective investments schemes, Jamie has an impressive breadth of client experience. These include Martin Currie, Alliance Trust, Aberdeen Asset Management, Santander, HBOS, Standard Life and Credit Suisse.

Outside of the office, Jamie is a keen sportsman. He enjoys golf and marathon running and has also participated in the Rob Roy challenge for the past three years.

Ian Reid
Glasgow 2014

Ian leads the finance department at Glasgow 2014, the Organising Committee for the Commonwealth Games, with responsibility for managing and

> planning a budget of more than £450m to support delivery of one of the largest sporting events in the world.

His responsibilities also include procurement, insurance and company secretarial duties for a company which will grow from its current 23 employees to about 1,000 employees and 15,000 volunteers at the time of the games taking place.

Before joining Glasgow 2014, Ian was chief financial planner at Glasgow Housing Association (GHA), with responsibility for all medium to long-term financial planning including the multi-billion pound investment programme.

While training with French Duncan, Ian spent time working on a European Commission contract in Brussels. After completing his training contract in 2002, he moved to the Public Sector Advisory Department at PricewaterhouseCoopers, before joining Ernst & Young's Infrastructure Advisory Department where he worked on a number of Public Private Partnership transactions.

Laura says she has never looked back since joining Johnston Carmichael nine years ago.

After passing her CA and ATT exams with the firm, she now works in the corporate department in its Aberdeen office, where her client base consists of owner-managed limited companies with turnover ranging from £1m-£100m+.

Laura also has a role in indentifying future talent, working with the firm's training department to recruit new CA/ACCA students.

A highlight of Laura's career so far was an Executive Stretch Course she attended, held by the Armed Forces, which involved many challenges including completing group tasks, firing live ammunition and a ride in a Chinook helicopter.

Away from work Laura can usually be found supporting Aberdeen Football Club, who she even followed as part of the away support to watch them play Bayern Munich at the Allianz Arena in Germany a few years ago.

Having qualified as a CA in the audit department of AAB in 2002, Gordon joined the corporate finance division at the beginning of 2004. He was promoted to corporate finance manager in 2005 and then to senior manager in 2007.

Gordon's expertise is in the delivery of acquisitions, disposals, MBO/Is, debt and equity fundraisings, refinancings and due diligence for owner-managed and private equity led clients.

Gordon has transacted more than 100 deals and has played a significant role in the division's development which prides itself in being the Business Insider's top deal making accountant and deal initiator for the last five consecutive years.

Gordon reputation as a highly-skilled, trusted and committed dealmaker, with a pragmatic approach, has been key in the initiation and execution of a number of high-profile, complex, oil and gas service deals up to £100m, along with securing compliance work following transactions.

Outside of work, Gordon likes to keep fit at the gym and enjoys golf during the summer and curling in the winter. He is also an accomplished musician.

Scott qualified as a CA at Anderson, Anderson & Brown in 2001 where he went onto to join the corporate finance team from audit.

After a spell with Clydesdale Bank as business development manager from 2003, he joined the structured debt solutions team at the Royal Bank of Scotland in 2005.

At RBS, Scott was responsible for commercial structured finance transactions, typically owner managed buy-outs and acquisitions for businesses with turnover of £1m to £25m. These spanned many sectors, however being Aberdeen-based, were predominantly oil and gas in focus. Scott accepted the position of deputy regional director with RBS, before making the move back into the profession in early 2009, assuming his current position as director of corporate finance at Hall Morrice.

Scott enjoys cycling and has twice completed the gruelling National 24 Hour championship, where he cycled 364 miles in 24 hours. This year his sights are set on the L'Étape du Tour, where amateur cyclists complete a stage of the Tour de France.

Brendan is an experienced corporate finance practitioner, advising a wide range of clients on mergers and acquisitions, buyouts and raising equity finance across Scotland, specialising in the technology sector.

He is currently advising a number of high-growth technology companies on multi-million pound equity investments, several mid-market disposals and helping clients optimise their banking facilities.

Before joining Johnston Carmichael in 2008, Brendan spent four years working with one of the UK's leading business incubation organisations, leading the advisory team and advising more than 70 early stage, high growth technology and innovation businesses, helping to raise over £15m in finance for those companies.

Prior to that, Brendan spent seven years with PricewaterhouseCoopers, mostly in corporate finance, specialising in the technology, media and the telecomms industries.

In his current role as assistant director of corporate finance, Brendan has played a key part in developing Johnston Carmichael's offering to high-growth technology companies. Brendan is also working closely with Scottish Enterprise Investments, helping to develop their portfolio of over 250 equity investments in some of the most promising and innovative companies in Scotland.

As well as being an avid football fan, Brendan likes to escape from the pressures of work at the weekends by combining two of his favourite pastimes – photography and hill walking. ■

Interview:

WORDS: ROBERT OUTRAM / PHOTOGRAPHY: ANDY LANE

ICAS President Alan Thomson gives his thoughts on engaging more members around the world, looking beyond the recession and the importance of good governance

Forward thinking

Alan Thomson says he has his football skills to thank for the break that started off his distinguished career in industry. When he was being interviewed for a financial post with Price Waterhouse, in France, he felt things had gone well but his interviewer, a fellow Scot, had said little about the details of the job.

Thomson raised this and added: "I don't know whether I'm really qualified for it."

The interviewer told him not to worry: "As soon as I heard you'd been a centre-forward for Rangers, I knew we had our centre-forward for our office team next season. I just hope you are a good accountant as well!"

Thomson, now President of ICAS, did indeed sign for Glasgow Rangers at the age of 17, playing as a centre-forward in the reserve team. He transferred to Hamilton

Academicals when he was 20, but soon decided that accountancy training offered better career prospects.

Thomson qualified as a CA with a small Scottish firm, Fleming & Wilson (now part of Moore Stephens), before moving on, first with Arthur Andersen in Geneva and then Price Waterhouse in Paris.

It was in industry, however, that Thomson was to spend most of his career, eventually becoming group FD at Smiths Group, a global engineering and technology business listed in the FTSE 100.

> "It gives people a buzz to know that they can contribute – it's an interesting place to be"

Like many senior CAs in industry, Thomson was focused on his demanding day job , but, as he puts it: "There comes a point in your career when you can start giving something back to the Institute."

Since his retirement from Smiths in 2006, Thomson has been actively involved with ICAS, as chairman of the Institute's technical policy committee and, over the past two years, as one of the three office bearers.

Thomson believes that the Institute's own membership constitutes a valuable resource and he would like to see even more of them becoming active. He says: "It gives people a buzz to realise that they can contribute, particularly now when we are tackling some really thorny issues. ICAS is a very interesting place to be at this time."

He adds: "We already have a very diverse membership and, by 2018, more than 50 per cent of our members will be based outwith Scotland. We have to involve more of our members in Institute affairs to cope with the growth in numbers."

In Hong Kong, Thomson took the opportunity of a meeting with the Chinese government to also meet with ICAS members, including British expatriates based in the Far East and Hong Kong nationals.

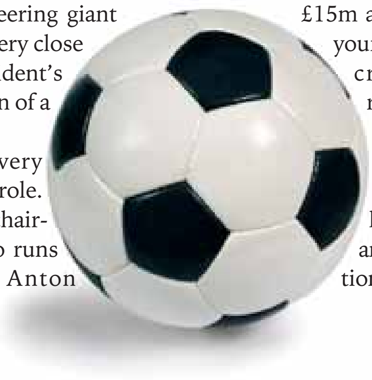
Thomson recalls: "They were surprised to hear we had 125 members in Hong Kong, and when I mentioned some names they would say, 'I know him – but I didn't know he was an ICAS member!' Now they meet regularly as a group."

Thomson adds that it is at least as important to continue developing engagement with members in England and Wales. He said: "Many of our members are in industry and we have some very high-profile people. You'd be amazed at the respect outsiders have for the Institute."

DOSSIER>

1970: Qualifies as a CA with Fleming & Wilson in Scotland; then joins Arthur Andersen's Geneva office
1971: Joins Price Waterhouse, working in the firm's Paris office
1974: Financial controller, Rockwell International, in France and the US
1980: Returns to UK as FD of Rockwell's automotive components business
1982: Joins Raychem as FD of the group's materials science business
1984: Becomes financial controller, Courtaulds Textiles; then FD, Courtaulds Coatings
1992: Becomes FD, Rugby Group plc
1995: Joins Smiths plc Group as FD
2006: Retires as FD
Alan Thomson is chairman of Bodycote International. He is also chairman of Polypipe Ltd (private equity) and is senior non-executive director and audit comitee chair at Johnson Matthey and also on the board of Alstom SA in France.
He became President of ICAS in April 2010.
He lives in Warwickshire and is married with four children and three stepchildren. His interests include opera and all sports, particularly golf, football, and rugby.

Thomson is now chairman of two businesses, Bodycote International plc and Polypipe Ltd (a private equity group). He is senior independent director of Johnson Matthey and on the board of French engineering giant Alstom. He says there are very close parallels between the President's role and the role of chairman of a company.



As he puts it: "It is very different from an executive role. When you are a company chairman, you have a CEO who runs the business, just like Anton [Colella, ICAS chief executive] at ICAS. You delegate ongoing operations to the chief executive who runs the day-to-day to business – and that's what Anton does so well.

"As much as the Institute is for its members, it is also a business with revenue in excess of £15m a year. You have to look after your people, but it's absolutely crucial that the business remains economically viable."

Professional bodies have not been immune from the economic downturn and ICAS has had to address its costs and deal with short-term reduction in its income.

The other office bearers: the vice-presidents

As ICAS president, Alan Thomson will be part of a team of three office bearers. He will be supported by two high-profile figures in the form of his vice-presidents – Iain McLaren and Sir David Tweedie.

Iain McLaren gained a BA in Accountancy and Finance from Heriot-Watt University.

He qualified as a chartered accountant in 1974 before moving into industry in 1977 to become chief internal auditor of a large construction group.

He later joined KPMG's Edinburgh office, becoming senior partner for KPMG


Iain McLaren

Scotland in October 1999.

McLaren is senior independent director and chair of the audit committee of Cairn Energy, and director and chair of the audit committee of Baillie Gifford Shin Nippon plc and Investors Capital Trust plc.

He is a member of the Court of Heriot-Watt University; governor of St Columba's Hospice; director of the Festival City Theatres Trust; and director of, and finance advisor to SCDI.

Sir David Tweedie, is currently chairman of the worldwide standard setting body, the International Accounting Standards Board.

He was educated at Edinburgh University and qualified as a CA in 1972. He was appointed technical director of ICAS in 1978 and moved from there in 1982 to the position of national technical partner of the then


David Tweedie

Thomson McLintock & Co. In 1987, he was appointed national technical partner of KPMG Peat Marwick McLintock.

In 1990, he was appointed the first full-time chairman of the newly created Accounting Standards Board.

Tweedie is a visiting professor of accounting in the Management School of Edinburgh University.

He has been awarded honorary degrees by eight British universities, and the CIMA Award 1998 for services to the accounting profession.

> "We have to continually improve what we are doing in education"

He says: "We must make certain that we remain financially strong. The impact of the recession is going to be temporary, and we have to look further ahead. We must continually improve what we're doing in education, by adopting new methods of teaching, such as e-learning.

"Historically, ICAS established an advantage in education, over other institutes, then we let them catch us up. We will move ahead again - and we have the people to do it."

Three years after the launch of the Institute's Clearly Ahead strategy, Thomson says that ICAS continues to explore, with an open mind, all the opportunities that are out there. He says: "We are looking at what do we do on our own and what do we do in collaboration with others. Nothing is ruled in or out.

"We are looking at how we can share good ideas, best practice and how we can work with the other chartered bodies – for example, we talk regularly to the Irish Institute."

In the aftermath of the financial crisis, Thomson believes the accountancy profession has an important role to play in ensuring that governments and regulators strike the right balance in regulation.

He recalls his first direct encounter with the "Sox" (Sarbanes-Oxley) regulations on internal controls, introduced in the US after the Enron scandal. Thomson had joined the board of a NASDAQ-listed company. He recalls: "At Johnson Matthey [a UK-based business with a market cap of £4bn], I have four audit committee meetings a year and they typically last between two and three hours.

"The first US audit committee meeting I attended with the external auditors present took eight hours. The company had a market cap of $250m and we were approving journal entries for $100, things I had not seen since I was a young accountant!

"So, my view is, we should let the board focus on what's really important. Concentrate on the big issues and let management sort out the operational details."

As chairman, Thomson likes to sit in on a several executive meetings each year to get a feel for the organisation's culture and the "body language" of the management team.

One of the key strengths of any organisation is the quality of its people and their ability to work cohesively together, Thomson says, and ICAS is no different.

He says: "The important thing in governance is the 'tone from the top'. Non-executives need to go in and ask uncomfortable questions of management. The days of the chairman surrounding himself with his chums on the board have come to an end. Boards can't behave like that any more."■

Supermark

Robert Outram talks to a number of senior figures from corporate law firms about the divisive issue of ABS – alternative business structures

Just as the UK's general election campaign got under way, Scotland's lawyers produced their own drama at the (virtual) ballot box in a referendum that touched on the future of the legal profession itself.

They were voting to determine the Law Society's view on "alternative business structures" (ABS), the centrepiece of a package of reforms in legal services currently in process through the Scottish Parliament.

Commonly referred to as "Tesco law", ABS would indeed open up the possibility of large corporates such as supermarkets, insurance companies and others offering legal services direct to the public. That would potentially have a major impact on many solicitors in practice, especially small firms, but ABS is much more than that. It also creates an opportunity for law firms themselves to change their structure and raise external capital – for example, though private equity or a stock market listing. It would also allow law firms to reward non-solicitors within the firm with some form of equity stake, in the form of shares or a partnership.

ABS has been a divisive issue for lawyers in Scotland and south of the border, where parallel legislation is in the process of being implemented. Some see it as an opportunity or, at least, a necessity for Scotland if Scottish firms are to compete effectively with their English counterparts. Others see it as a threat to the independence of the profession and to the public interest.

As it turned out, the membership backed the Law Society's cautious acceptance of the ABS reforms – but by a margin of only 24 votes out of 4,466 cast (see Reporter, page 11). It was the biggest turnout in a referendum in the Society's history.

Law Society chief executive Lorna Jack, a CA rather than a solicitor herself, says: "It effectively means that half of the profession are telling us that they are for ABS, with the appropriate protection and regulation, but half are very worried about it. It gives a very clear picture of the confusion in the profession about this issue."

She adds: "The second question in the referendum, which asked whether the Law Society should apply to be a regulator, if ABS goes ahead, was supported by 81 per cent, which gives us a vote of confidence."

"Tods Murray today is a different firm from what it was even two years ago. By restructuring, the business is better placed to respond to changing demands and opportunities"
David Dunsire, Tods Murray

et sweep

The Bill was originally expected to receive royal assent in the early summer of this year, but it will now be early autumn at the soonest. In that case, Jack explains, the first legal services providers regulated under the Act could be set up by late 2011. This means the reforms in Scotland would be running on more or less the same timetable as those in England and Wales, where the Legal Services Board – set up to approve and appoint regulators of legal services – says ABS will be up and running by 6 October 2011.

CA Magazine's own straw poll of the leading corporate law firms found:

• 27 per cent viewed ABS as "a great opportunity"

• 64 per cent thought it was "a potential opportunity – we will wait and see"

• 9 per cent said they did not know, or it was too early to tell.

None of those polled saw ABS as a threat, although it's fair to say that small firms and sole practitioners represent the strongest opposition to deregulation.

Martin Darroch, chief executive of Harper Macleod and, yes, another CA, says he does not see ABS as a threat."If you are going to have structural change in an industry, to be seen as blocking that change is not a good thing. Change is occurring whether the legal profession wants it or not; it has happened to almost every other profession, including accountancy.

"But I don't see ABS as a seismic change. At Harper Macleod, we already have seven 'partner equivalents' rewarded on the basis of the firm's success. So, if you are an enlightened firm already, ABS probably doesn't make much difference. But it won't be for everyone. You won't see 20 Scottish law firms listed on the Stock Exchange."

Magnus Swanson, chief executive of Maclay, Murray & Spens, says: "Nobody is talking about an overnight revolution. All we want is the flexibility to cope with competition from the English law firms."

Patrick Andrews, chief executive of Shepherd and Wedderburn, says both views have some merit. "ABS is an important opportunity as well as a potential threat to the independence of the profession. But, if we don't engage with this issue, politicians will take things forward without taking our views into account."

Richard Masters, managing partner at

> "Nobody is talking about an overnight revolution. All we want is the flexibility to cope with competition from the English law firms"
> **Magnus Swanson, Maclay, Murray & Spens**

McGrigors, agrees: "The change is inevitable, so there is no point in railing against it. It offers an opportunity to introduce partners to the business who are not lawyers. For example, we have a strong tax disputes and litigation team and there are people who should be partners, but can't under the current rules."

Whether a more far-reaching change in structure will appeal to many law firms is another question. Alister Fraser, managing partner of Semple Fraser, says: "You can run a law firm without large amounts of external capital. Also, multidisciplinary practices have been tried before, and I'm not convinced that model is in the best interests of the client."

> "Much of our business is advising on long-term projects, such as the extension of the National Grid, which have not been affected so drastically"
> **Donald Shaw, Dundas & Wilson**

As head of Scotland for international law firm Pinsent Mason, Fraser McMillan believes it's important that the rules north and south of the border are compatible. But he too is sceptical as to the opportunity that ABS presents – for example, to accountancy firms looking to create a professional "one-stop shop".

McMillan says: "Conflicts may be a big issue for the larger firms, and that could be an argument against multidisciplinary practices."

He suggests that corporate entities might seek to enter the legal services market through acquiring small practices and reaping the economies of scale – a model more akin to a chain of opticians than a supermarket.

Meanwhile, the Law Society has also been dealing with the impact of the downturn, on its members and on its own finances. Lorna Jack says the Society has taken a range of efficiency measures, including expanding the use of e-mail and web-based systems to replace traditional communications.

The Law Society has also provided extra help and guidance for members facing challenges in the recession, especially new trainees and small firms.

Our informal poll of firms suggests that nearly 60 per cent expect that 2010 will be better than 2009 – for their own firm – and 40 per cent think it will be about the same. Only a third (33 per cent), however, expect an improvement for the Scottish legal sector as a whole.

Seven out of ten have made redundancies and a similar proportion have introduced a voluntary reduction in days or hours. Half have offered sabbaticals at no or reduced pay, and 40 per cent have imposed a recruitment freeze. Fyfe Ireland managing partner Greig Honeyman says: "We went into the downturn fairly lean and mean, compared with some firms, and I believe we have weathered it fairly well."

In 2005, the firm relaunched as a three-partner practice (now there are five partners), and moved to new offices on Edinburgh's Charlotte Square. Honeyman says: "Clearly, the property sector as a whole has suffered, but private client work has held up."

Magnus Swanson says: "It has felt like a different recession from previous dips we've experienced. It's been incredibly fierce and severe, and the downturn was dramatic.

"The silver lining, if there is one, is that contentious areas, such as employment, general and commercial litigation are busy. There's not so much non-contentious construction work, but the contentious construction guys are busy!"

Swanson adds: "We've invested in building our expertise in renewable energy. It's a huge opportunity for Scotland even if, in terms of the legal fees the sector generates right now, it's really still a baby."

He says that Maclays took action early on in the downturn to control costs, including laying off some staff. He says: "We've also redeployed people, and seconded people to clients, which hopefully will build relationships for the longer term."

Donald Shaw, managing partner with Dundas & Wilson says: "Last year, much of the traditional transactional legal work simply disappeared. We are fortunate in that we have a strong corporate recovery practice, and that, clearly, has been one of the busiest areas."

He adds: "Litigation is holding up well. Also, much of our business is advising on long-term projects, such as the extension of the National Grid, which have not been affected so drastically."

Law firms in Scotland The top 30 ranked by fee earners

	Last year's ranking	Partners	Partners & solicitors	Fee earners	Staff	Trainees	Scottish offices (head office first)
1. Brodies	3	63	209	283	402	40	Edinburgh, Glasgow
2. McGrigors	2	54	227	279	419	40	Glasgow, Edinburgh, Aberdeen
3. Maclay Murray & Spens LLP	1	54	199	263	370	40	Glasgow, Edinburgh and Aberdeen
4. Dundas & Wilson	4	50	197	248	356	34	Edinburgh, Glasgow
5. Shepherd and Wedderburn LLP	5	55	177	234	330	43	Edinburgh, Glasgow, Aberdeen, London
6. Anderson Strathern LLP	6	47	117	190	247	25	Edinburgh, Glasgow, Aberdeen, Haddington, Currie
7. Morton Fraser	10	36	113	165	215	17	Edinburgh, Glasgow
8. MacRoberts LLP	8	44	116	155	217	33	Glasgow, Edinburgh
9. Harper Macleod LLP	18	43	90	146	211	14	Glasgow, Edinburgh, Inverness
10. Turcan Connell	15	20	82	145	272	16	Edinburgh
11. Biggart Baillie LLP	9	38	107	142	204	18	Glasgow, Edinburgh
12. Burness LLP	7	40	116	135	190	17	Edinburgh, Glasgow
13. Thorntons Law LLP	=17	29	75	120	271	10	Dundee, Perth, Arbroath, Forfar and Edinburgh
14. HBJ Gateley Wareing	13	38	82	116	178	16	Edinburgh, Glasgow
15. Tods Murray LLP	11	37	82	110	142	16	Edinburgh, Glasgow
16. DLA Piper Scotland LLP	=17	23	76	107	191	20	Edinburgh, Glasgow
17. Lindsays	12	26	71	106	140	9	Edinburgh, Glasgow, Jedburgh
18. bto solicitors	19	30	64	102	126	9	Glasgow, Edinburgh
19. McClure Naismith	20	28	72	100	150	14	Glasgow, Edinburgh
20. Pinsent Masons	=15	17	78	92	104	14	Glasgow, Edinburgh
21. Semple Fraser LLP	21	22	68	87	122	18	Glasgow, Edinburgh
22. Ledingham Chalmers	23	26	68	85	136	9	Aberdeen, Inverness, Edinburgh
23. Paull & Williamsons	22	29	64	81	107	12	Aberdeen, Edinburgh
24. Blackadders LLP	28	14	35	74	146	4	Dundee, Arbroath, Forfar
25. Gillespie Macandrew	26	19	40	72	93	12	Edinburgh
26. Wright Johnston & McKenzie	27	20	52	67	80	10	Glasgow, Edinburgh
27. Balfour & Manson	25	19	44	67	106	7	Edinburgh, Aberdeen
28. Stronachs LLP	24	17	48	61	94	9	Aberdeen, Inverness
29. Archibald Campbell & Harley	29	14	26	37	71	2	Edinburgh
30. Macdonalds	(-)	12	23	33	51	1	Glasgow, East Kilbride

FOOTNOTES>

(1) McGrigors has strong relationships with a range of international firms to give international cover worldwide.
(2) Dundas & Wilson has strong relationships with leading law firms in all key commercial jurisdictions around the world.
(3) European Employment Lawyers Association; euroITCounsel; Advoc; American Bar Association; InterAct Europe; Legal Sector Alliance.
(4) Connect2Law is a referrals and support network for typically smaller or more specialised law firms, which has a full service law firm at its hub.
(5) State Capital Global Law Firm Group, The Cicero League of International Lawyers, Employment Law Alliance, International Bar Association
(6) Pinsent Masons has overseas offices in Dubai, Hong Kong, Shanghai and Beijing, and has links with Mpillay in Singapore and Salans in Europe.

Fee income (£m) Scotland	Fee income (£m) UK	International links
39.1		TerraLex and Unilaw
n/d	62	See note (1)
n/d	55.4	Lex Mundi
n/d	66	See note (2)
n/d	n/d	World Services Group
n/d	20.8	Association of European Lawyers
n/d	n/d	Interlaw
	20.1	See note (3)
14.1	14.1	Connect2Law service in UK – see note (4)
21.9	21.9	
17.4	17.4	Euro American Lawyers Group (EALG)
19.6	19.6	See note (5)
14.1	14.1	MSI Global Alliance
18	47	
16.3	16.3	Multilaw
n/d	n/d	DLA Piper is an international law firm
11.6	11.6	LawExchange International
n/d	n/d	Mackrell International, Harmonie Group
14.3(est.)	14.3(est.)	World Law Group
n/d	215 (2008/2009)	See note (6)
12.4	12.4	
9.1	9.1	Lawyers Associated Worldwide
n/d	n/d	TAGlaw
n/d	n/d	
c10	c10	Lexwork International
n/d	n/d	Informal partnerships
n/d	n/d	Parlex Group of European Lawyers
8.2	8.2	
n/d	n/d	
n/d	n/d	Law Europe

Shaw notes that a number of clients have been reducing the size of their "panels" of firms, from as many as 25 or 30 to just five or six firms. He says: "They are concentrating their buying power and saving on the costs of managing the panels. Fortunately, in most cases we have retained our place."

Alister Fraser says: "We are a 'deals' firm – that is we focus on transactions, so the downturn probably hit us even faster than most.

"We saw a steady downswing to about May of last year. We had, in the summer of 2008, let some people go and in the late winter/early spring of last year we introduced a part-time working regime. We invited people to elect for a four-day week or a nine-day fortnight. We had a strong take up from it – people realised it was about preserving jobs.

"In the last six months, however, there has been a much stronger uptick for us."

David Dunsire, executive partner with Tods Murray, says: "Tods Murray today is a different firm from what it was even two years ago. By restructuring, we have built a business that is better placed to respond to changing demands and opportunities. In time, we will see this work through to our financial results."

Pinsent's Fraser McMillan says his firm went into the downturn "as a pretty lean ship" and has not had to make any redundancies. He believes that the fact that the firm was less exposed than many to property developers as clients also helped. He adds: "Intellectual property is another important area and our Scottish IP team is busy on UK-wide projects."

CA Brian Hay is chief executive of Ledingham Chalmers. He says: "We budgeted for the worst, but the outcome has not been the worst. Mid 2008 to early 2009 was tough and commercial property is still quieter than we would like… for 2010, I am no more than cautiously optimistic, but as a firm we have a great opportunity to increase our market share in strong areas such as food and agriculture, and renewables."

His chairman, David Laing, adds: "We are still looking to expand and recently increased our partner number. Private client and public sector work are holding up well and our rural sector is growing.

"We've been spending a lot of time on 'hand-holding' advisory work for corporate clients. Clients who have made it through the crisis have been operationally busy, even if not busy on M&A transactions. But the first quarter of this year has seen increased activity in that area which is encouraging."

Alasdair Peacock, managing partner with Biggart Baillie (whose last reported turnover was for the year to 30 June 2009), commented: "As with many other professional services firms throughout the UK, our fee income for the financial year (ending on 30 June 2009) reflects a drop in activity in some areas of work.

Who does what

Service category	Archibald Campbell & Harley	Anderson Strathern	Balfour & Manson	Biggart Baillie	Blackadders	Bonar Mackenzie	Brodies	bto	Burness	Davidson Chalmers	DLA Piper	Dundas & Wilson	Gillespie Macandrew	Harper Macleod	HBJ Gateley Wareing	Ledingham Chalmers	Lindsays
Agriculture & estates	●	●		●	●		●	●		●		●	●	●	●	●	
Charity law	●	●	●	●			●	●	●	●	●	●	●	●	●	●	●
Competition law		●		●			●	●	●	●	●	●	●	●	●	●	
Construction		●		●			●	●	●	●	●	●	●	●	●	●	●
Corporate finance	●	●		●	●		●	●	●	●	●	●	●	●	●	●	●
Criminal law											●		●				
Debt recovery/lenders' services	●	●	●	●	●	●	●	●					●	●	●	●	●
Education		●	●	●			●	●	●		●	●	●	●	●	●	●
Employment law/health & safety	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Energy (oil & gas)		●		●			●		●	●	●	●	●	●*	●	●	
Environment	●	●	●	●			●	●	●	●	●	●	●	●	●	●	●
Estate agency services (residential)	●	●	●	●	●	●		●					●	●	●	●	●
Family law	●	●	●	●	●	●	●						●	●	●	●	●
Financial services/banking	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Franchising	●	●	●	●	●	●	●	●			●	●	●	●	●	●	●
Government/public sector	●	●	●	●			●	●	●	●	●	●	●	●	●	●	
Housing/social housing	●	●	●	●			●	●	●	●			●	●	●	●	●
Insolvency and corporate recovery	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Intellectual property/information technology	●	●		●	●		●	●	●	●	●	●	●	●	●	●	●
Licensing & leisure	●	●	●	●	●	●	●	●		●		●	●	●	●	●	●
Media/arts	●	●		●			●	●	●		●	●	●	●	●		
Mediation/arbitration/dispute resolution	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●
Pensions		●		●	●		●		●		●	●	●		●		
Personal injury claims		●	●		●	●	●	●			●	●	●		●	●	●
Planning	●	●	●		●		●	●	●	●	●	●	●		●	●	●
Political/parliamentary consultancy/constitutional law		●	●				●	●			●	●	●		●		
Private client services including trusts	●	●	●		●	●	●	●					●		●	●	●
Private finance initiative/public-private partnerships	●	●	●		●		●	●	●	●	●	●			●	●	
Property (commercial)/planning	●	●	●		●	●	●	●	●	●	●	●	●		●	●	●
Renewable energy		●	●				●	●	●	●	●	●	●		●	●	●
Shipping/aviation		●					●				●	●	●		●	●	
Sport		●					●	●	●		●	●	●		●		
Tax	●	●	●		●	●	●	●	●		●	●	●		●	●	●
Wealth management/investment advice	●	●	●		●	●		●					●		●	●	●

Macdonalds	Maclay Murray & Spens	MacRoberts	MBM Commercial	McClure Naismith	McGrigors	Morton Fraser	Murray Beith Murray	Paull & Williamsons	Pinsent Masons	Semple Fraser	Shepherd and Wedderburn	Stronachs	Thorntons	Tods Murray	Turcan Connell	Wright Johnson & Mackenzie	Young & Partners
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NOTES>

Brodies: Insurance, health & safety, corporate prosecutions
bto: corporate crime and disciplinary proceedings (including criminal advocacy), solicitor advocacy service
Dundas & Wilson outsourcing, funds
Gillespie Macandrew: Chinese business immigration
Harper Macleod: HM Corporate Solutions LLP (HMCS) is the firm's corporate finance advisory business. HM Property Solutions LLP (HMPS) has as its primary focus structuring and funding for the private equity based property development and investment syndicates
HBJ Gateley Wareing: yachts & yacht finance, dispute resolution (commercial litigation), regulatory
Lindsays: family businesses
Maclay Murray & Spens: corporate technology, house building, life sciences, employee incentives and shipping.
MacRoberts: training delivery for clients in various areas of law (including competition law; employment; construction; data protection; corporate).
Tods Murray: families in business; partnerships; timeshare; and Islamic finance
Turcan Connell: family office, family law, financial planning international trust services (offered through the Guernsey office) Turcan Connell charity office not health and safety.
Young & Partners: international commercial arbitration; Court of Session (solicitor advocate in the firm)

"Looking forward, there is clearly a more positive economic outlook for 2010 and beyond. Our recent client wins have included Samsung Electronics, Mitsubishi, Walkers Snacks, West Lothian Council, Scottish Health Innovation Limited and the £297m acquisition of the Silverburn Shopping Centre in partnership with Herbert Smith. There is good reason to be positive about the firm's performance and results in 2010 and beyond."

Alan Thomson, chairman of McClure Naismith, says: "2009 presented many challenges for legal firms in the UK, but McClure Naismith's diverse service offering and significant reputation in non-transactional services assisted in balancing out the downturn in transactional work."

Bill Drummond, managing partner at Brodies, says that while corporate activity had been slow to pick up, the first quarter of this year had seen the emergence of much more positive sentiment towards transactional business on the corporate side.

He says: "It is definitely the case that there is some relative stability compared to 12 months ago in the banking sector, and there are some signs of optimism – it's not going to be a return to boom and we wouldn't necessarily want to see that anyway, but it will hopefully be a solid pick-up and we'll see more activity. We are most definitely more optimistic than we were 12 months ago.

> "2009 presented many challenges... but our diverse service offering... assisted in balancing out the downturn in transactional work"
> **Alan Thomson, McClure Naismith**

"Our head count is not higher than it was a year ago, but it is not dramatically down. We have not deferred any traineeships and we have continued to recruit in the areas where it is likely in the short-to-medium term that there is going to be increased activity. More recently, we have recruited in the corporate area."

For Philip Rodney, chairman of Burness, 2008/09 was "challenging". But, he says: "Since August, our corporate finance team has been working flat out. Litigation has also been busy. We have a great corporate finance team and the market is now beginning to realise that. Litigation has been busy, not all of it has been credit-crunch related. For example, our product liability team has been busy and so has our 'reputation management' [defamation] team.

He says: "Our aim is to go for aggressive growth in those areas of business we are seen by the market as excelling in, and I expect to see more activity in those markets."

Shepherd and Wedderburn's Andrews says: "I think we have fared relatively well. For example, our insolvency and corporate recovery team has been busy. There are certain 'weatherproof' sectors such as renewable energy, and private client work has not really changed. People still need tax and finance advice, even more so in difficult times.

"Even in property, we've been busy with major clients such as J. Sainsbury, which is extending its number of stores in Scotland."

Andrews says the firm has had to make redundancies, partly because of the downturn and partly because of changes in working practices. Also, on a voluntary basis, staff and partners at the firm agreed to take 10 days unpaid leave last year.

He says: "I believe the business is now in better shape than before the downturn started. It has brought out the best from our own people and our clients." ■

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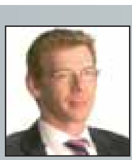


Alex Innes
Bill Fowler
Gordon Hollerin

The experts

Semple Fraser is a multi-national practice that advises clients throughout the UK from our offices in Glasgow, Edinburgh and Manchester. We offer market-leading advice in the areas of banking & finance, commercial property, construction, corporate, corporate recovery & insolvency, employment, environment & pollution, IT/IP, litigation, property finance, planning and tax.

Our success has been built on the simple principle of sticking to what we do best. Over the years, this has resulted in the development of particular expertise in certain industry sectors – Finance, Real Estate, Construction, Waste and Renewables & Energy.

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Young & Partners

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Business solutions for business issues

Ruth Waters

Young & Partners is celebrating the first birthday of its Glasgow office. Ruth Waters said: "It has exceeded our wildest expectations. We now have experts in planning, litigation, construction and commercial property, and one of Scotland's few solicitor advocates. I have a new role as head of a revamped employment team, and will be announcing some business initiatives in the next few months. We saw the recession as a business opportunity to expand our business and are well placed to take advantage of the upturn."

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To list or

Stock market listings slumped in the darkest days of the financial crisis, but, advises Marianne Lipp, for some businesses the IPO option is back

In 2009, initial public offerings (IPOs) were at a 15-year low, with only 20 new entrants (nine on the main market and 11 on AIM, the Alternative Investment Market), down from 73 in 2008.

Conversely, 2009 saw a record level of secondary fund raisings at £81bn (including £28bn by the Royal Bank of Scotland and Lloyds Banking Group) which was predominantly used to fund balance sheet repair and survival. To fund growth such as mergers and acquisitions (M&A) later in 2009, investors continued to divert funds from new issuants to supporting the current portfolio.

As confidence returns, we should start to see funds divert back to new issuants, alleviating the pent-up demand for stock market listings that developed when the markets were effectively closed post Q4 2008. Towards the end of 2009, there were a number of companies planning to list in Q1 2010 – we were conscious that all eyes were on these few which were testing the market. If the market was proven to be open, we expected a flurry of activity as others sought to take advantage of the availability of funds via this route.

In actual fact, Pets at Home ran a dual track process and ended up going down the private equity route and others were rumoured to be going down a similar route. We then saw the high-profile delays/withdrawals of Merlin Entertainment (which runs the London Eye, Legoland and other major attractions), fashion retailer New Look and Travelport (a business services company serving the travel industry) from possible new listings – whether reflecting a mooted aversion of public markets to refinancing private equity backed businesses or a price expectation gap between buyer and seller, which was perhaps more marked than in privately-owned businesses.

Against the trend, whiteboard manufacturer Promethean and SuperGroup, the fashion retailer behind the Superdry label, completed their listings in early March 2010, and Merlin and New Look have subsequently stated that they are reconsidering the IPO route as an exit option in the short term.

In my view, the market remains fragile. Investors are tending to go "back to basics" – the IPO market may well be open for good companies with compelling growth stories and sound management teams, but only when the global financial markets are playing ball, and therefore the market window for IPOs may only be open for short periods of time. All of this underlines the importance of considering the exit options open to a company, deciding which one(s) best match the circumstances and aspirations of the shareholders and beginning preparation early.

The traditional benefits of an IPO remain: liquidity, access to long-term capital, transaction currency and employee incentivisation. Some commentators would observe that Scottish companies were able to use their paper as a means of effecting transactions when other companies found concluding M&A in the financial crisis more challenging – Aberdeen Asset Management's acquisition of the asset management business from Credit Suisse is a recent example,

Other privately-owned companies which had prospered when debt was more readily available from banks are perhaps taking stock as they lose competitive position to their publicly quoted peers, who have been able to more readily address balance sheet concerns through rights issues and are poised to take advantage of opportunities as they present themselves, while private companies are wrestling with the additional cost and often reduced appetite for refinancing of bank debt.

However, these benefits must be weighed against the costs. Time commitments increase for senior management before, during and after listing – and the IPO may not result in the full exit that some shareholders may be seeking.

Management need to ensure they do not underestimate the level of scrutiny and interference post-float. They must balance the desire to maximise price at the outset with the subsequent management of expectations – over-optimism in the early months and years of a newly floated company can be heavily punished by investors and it can take a number of reporting periods to begin to re-establish confidence.

With shareholders seeking exit at float, the maximum price at the outset is key. For those staying in, the development of a long-term sustainable growth record is key. These two objectives cannot easily be reconciled at the start and getting the balance wrong can lead to market disappointment.

Having taken all the options into consideration, if the shareholders of a company still believe the public market represents a realistic, achievable and desirable next stage for the company's growth ambitions, what then? Ideally, given the fragile nature of the markets, particularly in recent months, we recommend this is not the only option pursued – the good news is that most of the preparation for an IPO is equally relevant to other forms of financing.

The key, however, is to begin preparations early and to keep all acceptable options open for as long as possible. Even if IPO is the only option pursued by shareholders, early preparation ensures that when the market is open, the company is in a position to strike. And there's a lot of preparation. A robust growth strategy has to be in place and appropriately articulated; an historical track record in place and audited; a track record on delivering on profit (and cash) forecasts; adequate, appropriate and robust financial reporting systems in place in order to generate relevant, reliable and timely management information on which business decisions can be based; and appropriate corporate governance.

Public markets and IPOs remain a relevant source of finance/exit, but not at any price, and often the window is only open for short periods of time. Preparation is key to enabling companies to strike while the market window is open, but also to allow other options to be explored. Public markets must be there as a realistic option, but sellers may need to temper price expectations. ■

MARIANNE LIPP *is KPMG director, transaction services, in Aberdeen*

not to list

"With shareholders seeking exit at float, the maximum price at the outset is key. For those staying in, the development of a long-term sustainable growth record is key"

London Eye operator Merlin passed up the chance of an IPO last year, but is said to be looking again at the option

The panel

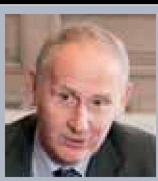
DAVID HENDERSON

David Henderson, Area director, corporate and structured finance, Clydesdale Bank

GEORGE FRIER

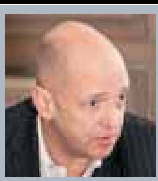
George Frier, Head of corporate law, McClure Naismith LLP

JIM SPOWART



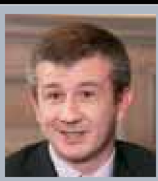
Jim Spowart, entrepreneur

JOHN ANDERSON



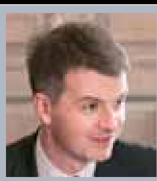
John Anderson, Chief executive, Entrepreneurial Exchange

JOHN DYE



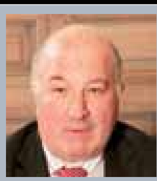
Jon Dye, Head of financial and regulatory governance, NAGE

JOHN RENDALL



John Rendall, CEO, Scotland, HSBC

ANDY THOMSON



Andy Thomson, Senor client services director, Resources Global Professionals

PAUL DOWNES

Paul Downes, UK managing director, Resources Global Professionals

PHOTOGRAPHY BY MIKE WILKINSON

Valuable lessons

The panel discusses the impact of the financial crisis on Scotland and the challenges and opportunities that lie ahead in the next six to 12 months. Robert Outram reports

Paul Downes, managing director (UK) with business advisors Resources Global Professionals (RGP) and chairman of the event, began with a look back over an eventful and challenging year. He said: "Over the past few months, business leaders in all areas have learned a lot of lessons. Let's hope those lessons are remembered over the years to come."

He added that we should be careful of assuming the economic downturn is having the same effect everywhere. "While it is a global phenomenon, not everyone is being hit in the same way."

Alex Stewart of Clyde Process Solutions, a worldwide engineering business headquartered in the west of Scotland, agreed. He said: "Countries like Brazil are still very robust. India, too, is very strong for us right now."

Paul Downes asked: "So what does the UK have, what can it produce and sell to be part of this growth in the developing economies?"

David Henderson of Clydesdale Bank said: "In Aberdeen, in the oil and gas market, we have expertise which we are exporting to the rest of the world."

RGP's Andy Thomson agreed, adding that the need for technology to develop the North Sea's deep-water reserves creates know-how that can be applied overseas.

George Frier of law firm McClure Naismith said: "There is also an issue in terms of how you protect that know-how. The minute you export it, the risk is that you are simply providing an opportunity for others to reproduce it themselves."

Alex Stewart said: "China will soon be the second-biggest economy in the world. We have got to do what many other global companies are doing, and that's be local there."

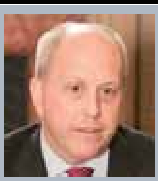
He added: "We are in China, South America and India. But now we also employ more people in the UK at Clyde Process Solutions, David Brown and Clyde Union [the former Weir Pumps business and David Brown are UK-based businesses acquired by Clyde Blowers in the last few years] than were employed here previously. Some people lost their jobs last year, which is regrettable, but the number of engineers, finance and other skilled people that we employ now in the UK now is off the scale compared with 1995."

John Anderson of the Entrepreneurial Exchange, the leading business network, said: "We don't have [in Scotland] many large corporate HQs left from which others can learn. Clyde Blowers is doing that for engineering in Scotland and it is absolutely to be commended. We do have some really world-class businesses and we should celebrate them."

HSBC's John Rendall said: "The shape of global trade is changing – for example, the scale of trade flows between Brazil and China is enormous. If you can find a way into this, the possibilities are enormous."

The panel turned to the impact

ALEX STEWART



Alex Stewart, Chief executive, Clyde Process Solutions

ROB OUTRAM

Robert Outram, Editor, CA Magazine

of the financial crisis on Scotland, and particularly on its banking sector.

Jon Dye of National Australia Group Europe (NAGE) said: “Virgin has acquired a banking licence, and Metropolitan Bank is another new entry in the UK. We know that there will be some assets for sale by, for example, RBS, and there are bidders looking at Northern Rock.”

During the financial crisis, Jim Spowart was one of the leaders of an ultimately unsuccessful attempt to preserve the Bank of Scotland as an independent entity. He said: “What the Scottish economy needs now is a big player to come in to the market-place. It needs capital, from a big player like HSBC or Barclays and, at the moment, I don’t see that happening. The Scottish business sector badly needs its own banking finance operation.

> “What the Scottish economy needs now is a big player to come into the marketplace”
> Jim Spowart, entrepreneur

“If the money is not available to expand and help entrepreneurial businesses to grow, which it isn’t, there will be dire consequences for Scotland.”

Clydesdale’s David Henderson questioned whether the banks serving the Scottish business community needed to be Scottish-owned and domiciled, reminding the panel that when National Australia Bank (NAB) took over Clydesdale, scepticism about its commitment to the Scottish sector proved to be unfounded.

In fact, he said: “Because of the strength of our parent company and of the Australian economy, NAB has been able to invest in our UK business.”

John Anderson said: “Start-ups and early-stage growth businesses don’t need debt, they need equity. But the fundamentals seemed to go out of the window when certain banks developed an appetite for risk.”

John Rendall said: “There is a mind-set that everything could go back to how it was 12-18 months ago. It can’t! The aberration isn’t the last 18 months; it’s the five years that preceded that.”

So would Alex Stewart and his colleagues at Clyde Blowers be able to achieve what they have achieved, in today’s conditions?

Stewart said: “As the business grew bigger, leverage became ever more important. We became very successful at using debt at levels that, I believe, would not be deliverable today.

“It’s not just the banks The Stock Exchange has less of an

> “When you look at the banking failures we’ve had, it’s all about failures of strategy”
> Jon Dye, National Australia Group Europe

appetite for leverage than it did before.”

Jim Spowart said: “There is too much listening to what the City expects. Managers should manage their businesses according to what they think is right.”

McClures’ George Frier said: “Leveraged debt was what the market wanted and what it expected. Now, businesses are caught in a real dilemma. If they see an upturn in orders, they will want working capital in order to service that, but they may not be able to get it.”

Jim Spowart said: “At the heart of the crisis is a lack of detailed knowledge, in Government, about banking. If the Bank of England was still in charge of regulating the banks then, in my view, not all the things that did happen would have happened.”

George Frier said: “The danger now is that we become over-regulated, to the extent of having a ludicrous ‘tick-the-box’ mentality.

“A laissez-faire economy suited Gordon Brown, but that allowed others to push the boundaries of what ought to have been acceptable and prudent economic conduct.”

Alex Stewart said: “If you want me to tick another 40 pages of corporate governance forms, I’ll tick them. But what you really need me to do is get up in the morning with a common sense, fair and prudent mentality in the first place. I have to look at myself in the mirror. There’s no tick sheet that’s going to get me there.”

Jon Dye said: “When you look at the banking failures we’ve had, it’s all about failures of strategy, not about controls. It’s not about signing off a bank reconciliation.

“The culture is the most important thing. If you have someone who is prepared to escalate an issue because something looks wrong, even when their boss does not want them to, you are far more likely to catch a problem before it takes the bank down.”

Paul Downes said RGP’s “Governance Index”, which compares corporate governance at the FTSE 100 companies, found that two mining companies Rio Tinto and BHP, scored the most highly. He said that the importance of safety issues at companies like that, and at British Airways (also in the top ten) reinforced the culture of governance. Only one bank (HSBC) was in the top ten.

Jim Spowart recalled: “When I started out as an apprentice at a bank in Cowdenbeath, the manager told me, ‘You’re here for one thing, son; you’re here to protect customers’ deposits. If it was your money, would you lend it?’

“That’s one of the fundamental things that the banks appear to have lost sight of.”

George Frier asked: “Should the banks be forced to separate out their retail arms from their investment arms?”

Jim Spowart believed they should: “A more prudent approach may mean they only make a billion instead of ten billion, but at least they would have a better chance of not going bust.”

John Rendall said, however, that diversification was not always a bad thing: “In 2009, we had a good year in our investment banking business, and we had a much tougher year in personal banking, but some day that will be the other way around.

“It’s hard to say if banking had somehow been separated between investment and retail arms, the problems would not have happened. Northern Rock, for example, was fundamentally a retail bank, but that did not protect it, and Lehman Brothers was purely an investment bank.”

John Anderson said: “Members of the Exchange who lived through previous recessions say that they learned the hard way about things like credit control.

“The fundamentally ‘boring but necessary’ things are too easily forgotten when you are just looking at chasing the next deal.”

Managing the supply chain and

outsourcing are also key issues for many businesses. Paul Downes asked: "What is your 'core business' and does outsourcing have a place?"

John Rendall gave an example: "In Mexico, we [HSBC] outsourced all our building maintenance. But we had to learn a new skill-set in terms of how to manage those contracts, and that was challenging. It's beguilingly simple to say you should do it, but to manage it is not so easy.

"While there can be important cost and focus benefits, at worst you are paying for two sets of people, the outsourcing providers and people to follow round the providers."

George Frier said: "In the banking context, there are plenty of stories about people who have been turned off when they discover they've got somebody in Mumbai talking about EastEnders when they just want somebody to talk to about their account! So are you in danger of devaluing your brand on the altar of profit?"

Jim Spowart agreed: "I would not outsource the direct interface with the customer, because that's your bread and butter."

Andy Thomson said: "A few years ago, one of the UK's major building societies asked their customers what they wanted, on the understanding that a UK-based call centre would cost them more, and they said they would rather have it in the UK than overseas."

"The challenge now," Jon Dye said, "is the risk and regulatory environment we are in, and when you outsource, you haven't outsourced the risk. You have to work very closely with the people who are running what used to be your process."

Paul Downes said: "We use the word outsourcing because it's one that everyone can relate to, but maybe the word 'partnering' would be a more meaningful way to put it."

"It is going to be tough but we've had plenty of time to look at the issues"

Andy Thomson, RGP

Concluding, Paul Downes asked the panel: "What's your view of the next six to 12 months? And if you had to suggest a single key challenge for your company, what would it be?"

David Henderson said: "A lot depends on what happens at the general election. There are some tough decisions to be made and the worst thing would be to have no clear direction.

"In terms of challenges, I genuinely believe at Clydesdale we have a once-in-a-lifetime opportunity to seize market share in Scotland."

George Frier said: "The idea that we are past the worst is soundbite electioneering. There is significant pain to come. There will be huge implications for the public sector and knock-on effects for the private sector.

"For my firm, the biggest challenge will be to be flexible, as a professional services firm ought to be in a marketplace that is so markedly different from what we have grown used to. But I think there will be opportunity for us, especially through our growing presence in London."

John Anderson said: "The weak businesses that have not made the necessary changes have fallen by the wayside, or are doing so. But the businesses that have done the right things are running on limited reserves now."

Alex Stewart took a fairly downbeat view of the UK's prospects. He said: "The UK is in worse shape than many other economies. I don't think the recovery will be the classic, uninterrupted 'V' that many people hope for."

He added: "I don't think this country is bust by any means. It's a different world from 20 or 30 years ago and you have to run your business model differently, and look for the opportunities that are out there."

Andy Thomson said: "Yes, it is going to be tough, but we've had plenty of time to look at the issues and the problems – let's start talking about the solutions."

Jim Spowart said: "One of Scotland's major industries, banking, has been severely wounded but I think that presents opportunities. I'd love to see another entrant like Bank of China come into Scotland."

"I do think we have a lot of talent in Scotland, and we need to encourage that talent, but the next 12-18 months is really going to be tough, in my view, but I hope I'm wrong!"

John Rendall said: "I think there is a real risk of generalising from the economy to individual businesses. We keep finding businesses that are doing very well. Having an international outlook will be very important."

"Fundamentals" and "basics" were among the key themes of the discussion, Paul Downes noted, adding: "We've talked about things like financial management, the balance sheet, managing your brand, cash management, core business values and governance. It was easy to forget those things over the past few years because it was raining cash and everyone was out there with buckets catching it.

"Those who will be successful over the next couple of years will be those who have not forgotten the basics, and who bring those values back into their business."

With thanks to Resources Global Professionals and The Bonham Hotel, Edinburgh.

A new sense

A Masters in Business Administration is a serious undertaking, but one with huge career-boosting potential. Anthony Harrington reports on what's involved, and the benefits it offers for both students and employers

# of direction

In today's world, every profession has to apply itself constantly to keeping abreast of developments, and chartered accountants are no different. The profession works on a self-certified basis, with each individual responsible for compiling their own Continuing Professional Development (CPD) statement.

As Moira Patterson, CPD administrator at ICAS, notes, the Institute promotes CPD not just because it is an important part of good professional practice, but also because it is a fundamental principle of professional ethics. How can anyone claim to be acting in the best interests of their client or their company if they are not keeping themselves abreast of what is happening in their field?

Above: students at Lancaster University

Competence in any demanding discipline is not a process that ends in one's mid-20s – it is an ongoing responsibility. Many larger accountancy firms have their own CPD departments and courses. ICAS also certifies employers in industry who run in-house schemes. Employers can apply to be an "Accredited CPD Employer" and clearly that has some great spin-off benefits for the employer, enabling them to promote their reputation for investing in employee development. So far, some 100 employers have been accredited by ICAS.

While the array of "learning moments" that qualify as an acceptable CPD activity for a qualified CA is vast, without doubt a Masters in Business Administration is one of the biggest targets an individual can set himself or herself. There are, of course, many other worthwhile skills and courses which qualify as CPD and we will look at one or two of these, but nothing has quite the same career-boosting potential.

Given that MBAs are not cheap (the minimum fee is about £17,500 for a full-time MBA), and that career enhancement is not a cast-iron certainty, why should someone who has put themselves through all the hoops of qualifying as a CA think about doing an MBA as well? For some, it looks like CPD overkill.

However, Melissa McCrindle, head of marketing and student recruitment at Strathclyde Business School, says there are at least two major reasons why CAs should contemplate putting an MBA on their

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Advertising feature

The route to success

AAT-ICAS training can open up new opportunities and lead to a fulfilling career as a chartered accountant

When Kellie Callander expressed interest in becoming an accountant, her employer suggested the AAT-ICAS route as one of the options open to her to becoming a chartered accountant.

"As soon as I left school, I immediately started work at an accountancy firm on the Isle of Skye, which is where I first heard about the AAT-ICAS route," she says. "My ambition was to become a chartered accountant, but I didn't wish to attend university – preferring to gain practical and useful work experience.

"A year later, prior to my studies, I moved to Glasgow and joined Hardie Caldwell LLP in 2007. The practice has been extremely supportive and encouraging, funding all of my AAT-ICAS training and providing me with time off for classes and study leave."

Kellie found the variety of work to be valuable in complementing her studies and went on to complete the AAT last summer.

After completion, she progressed to study with ICAS and moved from the Business Services Skill Group, where she prepared accounts, to Corporate Services, where she now assists in undertaking audits.

A year into the chartered qualification, Kellie is confident she has taken the best route.

"The AAT qualification provided me with new challenges and responsibilities within my job role. Students are able to gain a qualification, as well as a wide range of relevant work experience.

"After qualifying as an accounting technician, I immediately continued studying to become a chartered accountant with ICAS, for which I was exempt for two exams. At 22, I feel I am in a strong position to becoming a CA."

Kellie is excited about the unlimited opportunities that could be available to her within the firm once she has qualified with ICAS.

"When I have completed my studies, I will have both the AAT and ICAS qualifications to my name, as well as several years of valuable experience. My career is definitely headed in an upwards direction."

Kellie's current role with Hardie Caldwell LLP is as an audit assistant within the Corporate Services Skill Group.

Kellie says: "I now have the opportunity to visit clients, which provides more of a variety to my role. I am often given the chance to see clients by myself and I relish this responsibility."

There are 11 training providers across Scotland that offer AAT courses.

For more information, visit: www.aat.org.uk/services/findatrainingprovider

agenda. The first is undoubtedly for the career boost that an MBA can confer, particularly if the individual concerned has aspirations to taking on a CEO role at some point. The second is that specialists in any discipline, be they engineers, IT professionals or accountants, often find that an MBA opens up a more general view of business.

This enables the specialist both to get a better sense of how their day-to-day practice fits inside the scheme of things, and to experience other perspectives on the business. While this is easy to say, it really can give a finance professional a readily visible competitive edge and can help to make them a lot more valuable to their organisation.

Since career enhancement lies at the heart of any decision to opt for an MBA, it is no surprise to find that the majority of business schools seem to have experienced continuing strong demand through the recession. Simon Earp, corporate development director at the University of Edinburgh's highly ranked business school, says that the school's intake has held up well despite the recession. Applications are up by 41 per cent and the school looks like achieving its full complement of full-time MBA students by the start of the new academic year.

Earp points out that Edinburgh does not take post-graduates. The average age of applicants is 32 and work experience is a requirement.

"The tight market has led some schools to try to reach an alternative group of students, which accounts for the rise of the postgraduate MBA, open to graduates with no work experience at all, but that is not our choice."

In addition to its mainstream MBA, the school offers several specialist courses, including a Masters in Science in Financial Investment, for example. This was developed in close conjunction with leading investment houses in London and Edinburgh to make sure that the course delivered the skill sets that these houses expected from their specialist hirings. "An MBA student would not even look at these courses because they are at a very high technical level for a very specific discipline," he says.

A few years ago, the university carried out research among sponsoring employers with candidates on its MBA course. "What we wanted to find out was what the employer wanted MBAs to be able to deliver. What they were looking for, we found, was a balance in terms of a good solid understanding of management issues, combined with a high level of personal competence in core skills such as leadership, creative problem solving, communication and so on.


Above: Chris Saunders

"What we are aiming to do is to deliver people who have a really good 'management toolkit' that will enable them to operate effectively in their chosen organisation at a senior level," he concludes.

This August the business school moves into a new £17m building in Buccleuch Street, featuring eight lecture theatres, multiple syndicate rooms, an executive education suite, student resource centre, cafe and significantly more flexible space for staff and students.

Chris Saunders, director of the full-time MBA programme at Lancaster University Management School, says that the minimum entrance qualification for the school is three years' work experience. The average length of work experience on the course, however, is seven years. Lancaster is regularly rated in the top five or six UK business schools by the Financial Times in its influential annual survey of MBA programmes. "The FT ranking puts us 10th in Europe and 24th in the world," Saunders says.

One of the chief criteria in the FT's ranking of MBA programmes is the jump in salary that MBA students experience three years on from qualifying for their MBA. Saunders says that while Lancaster's students are able to command good salaries in their first roles as qualified MBAs, they tend to progress rapidly from there as they demonstrate their value to the organisation.

The reason why the course has been so successful, he says, is because of its strong focus on practice.

Stay sharp with training & development

AIM FOR CPD

Don't have the time or resources for an MBA or the equivalent? Continuing professional development is still a must for CAs, and ICAS itself offers a wide range of courses and training opportunities through CA Business Courses (CABC).

These include not only traditional class-based courses, but also a series of breakfast briefings, "webinars", podcasts and online courses.

In 2010, CABC retains its popular technical updates, as well as adding a number of new courses and speakers. With frozen course fees in 2010, reduced fees for conferences and discounts for season tickets and booking two or more half-day courses, CABC courses remain excellent value.

FIND OUT MORE

For more information, go to www.icas.org.uk/cabc or contact Fiona Mackay, CABC, directly at fmackay@icas.org.uk

"We focus very heavily on turning theory into practice via consultancy opportunities. Our students get to work on real-life consultancy projects for a wide range of organisations, from small businesses to listed companies and large voluntary sector organisations," he says.

Saunders sees much the same reasons as Strathclyde's McCrindle for MBAs appealing to chartered accountants. "Talking to students who have been through our course and who are chartered accountants, it is clear that where the real value lies for them is all about broadening their understanding of business. Getting an insight into marketing and other core business functions outside finance is absolutely key for them," he says.

Richard Wheatcroft, MBA programme director with the Open University, points out that the university currently has about 4,500 distance-learning MBA students, with some 900 to 1,000 graduating each year. About 90 to 95 per cent are studying for the generalist MBA, but the Open University also offers specialist MBAs, in fields such as Life Sciences and Defence, the latter in conjunction with the Ministry of Defence.


Above: Richard Wheatcroft

Students have a maximum of seven years to take the degree. The minimum time frame is 2.5 years and most people, Wheatcroft says, take some three to three-and-a-half years to complete their MBA. Everyone does a minimum of three residential schools, which run from Friday to Monday. With participation, networking and the sharing of knowledge among students in a particular year being core to the experience offered by MBAs, distance-learning degrees tend to try to foster an online sense of collaborative working and discussion.

"There are some obvious ways we address this," Wheatcroft says. "On the one hand, everyone is part of a tutor group of about 16 people. The group is geographically defined and includes students from all fields and sectors, so it creates a very good mix. They do a number of collaborative projects and the online discussion forums for the groups are extremely well used."

At the same time, the programme ensures that students, who generally remain with their organisations throughout the period of the MBA, undertake workplace projects in their organisations as part of the degree. This does two things: it provides the student with the opportunity to turn theory into practice, and it enables the organisation involved to start to realise how the MBA is enabling that individual to make an important and valuable contribution to the business.

A distance-learning MBA at the Open University costs about £16,000. In many instances, companies will take on some of the sponsorship of the fee once they see some real benefit from the course.

Given the high fees involved in doing any MBA, whether full or part-time, and the equally exorbitant opportunity costs associated with taking a year out to do a full-time MBA, what guaranteed value does this particular piece of CPD have to the individual?

There are probably as many answers as there are MBA

graduates, but a recent piece of research carried out jointly by the business school branding specialists CarringtonCrisp, the Association of Business Schools and The European Foundation for Management Development provides some answers.

Entitled *Crisis? What Crisis? Tomorrow's MBA*, the research addressed the sense, following the failure of Lehman Brothers, that slick business school types were playing fast and loose with other people's money. There was probably never that much logic to this view, since although the investment banks and major consultancies are important recruiters of MBAs, those qualifying find employment right across the public, private and voluntary sectors. So rubbishing MBAs for the sake of a handful of bad apples never did make much sense. The survey contacted MBA students in 91 countries, with India, Australia and the UK the source of the three largest groups of participants. Only 7 per cent of those surveyed said they had become more disillusioned with the MBA as a result of the crisis.

Interestingly, responses seemed to indicate that potential MBA candidates are increasingly seeing the value of the MBA as lying not so much in providing an instant career boost as in being the means to acquire key skills to unlock a better future. Skills that could be practically applied in business were at the top of almost every respondent's agenda.

Picking up on this notion of skills as opposed to a "branded qualification", Peter Belsey, business director at Huthwaite, which specialises in providing negotiation skills and other soft skills for finance professionals, argues that while MBAs have their place, many finance professionals really lack soft skills. Acquiring these as part of their CPD is likely to be at least as valuable to their organisation – and a great deal less expensive, he argues.

OPEN UNIVERSITY / PHOTO: ANDY PINI

"Increasingly, both newly qualified accountants and those still in training are realising that having technical excellence in finance only gets you to the starting line for partnership in a major firm, or for a key role in industry," he says. In industry, an accountant who simply has technical skills tends to be regarded as a sales prevention person rather than as a generator of value.

Instead, a real core skill that is highly valued by organisations and that finance professionals sorely need is the ability to negotiate successfully, irrespective of the topic. Huthwaite carried out extensive research which showed that the most effective organisations are those that prioritise and seek to improve corporate negotiation performance, be it in sales, procurement or customer relations.

Huthwaite's definition of negotiation is a tightly focused one. It comes down to the parts of the process that come into play towards the end of a sale. "It is where organisations start to say, 'Yes we would like to do business with you if…' That 'if' is the critical point where your staff need to bring finely honed skills into play to close the deal satisfactorily for your company. This is all about knowing what the parameters of the negotiation are, what constitutes a win rather than a loss, and how to achieve the desired end result. Many finance professionals would be a lot more valuable to their organisation if they were more skilled in this area." ■

ANTHONY HARRINGTON *is a freelance business journalist.*

Send comments and enquiries to accountingandauditing@icas.org.uk

Technical

Index›

Europe: VAT changes hitting home

A number of important changes to the European Union VAT system took effect from 1 January 2010, and their impact is only now being felt. Broadly, the changes fall into four key areas:

- The general place of supply rule for services in "business-to-business" transactions (B2B) is now where the recipient is established. There are exceptions to this rule, including services in relation to property or transport and changes have also been made to the time when VAT has to be accounted for (the time of supply)
- The EC 8th Directive refund process has become more automated because claimants will use an electronic portal in their member states of establishment
- An extension to the special "one-stop shop" mechanism for electronically supplied services is due to come into effect from 1 January 2015
- Businesses involved in selling or purchasing services across borders now need to comply with additional reporting requirements in the form of EC Sales Lists (ESLs) for services (see below).

In practice, there are a number of implications. For example:

• UK VAT no longer applies to management services invoiced to foreign subsidiaries

• A UK business will not suffer irrecoverable VAT if the service "exporter" (a call centre, for example) does not charge local VAT on its supplies. The receipt of the service in the UK will be subject to a mandatory "reverse charge" calculation on the receipt of the services

• Where a UK business holds stock in another member state and uses the services of a warehouse company in that country, foreign VAT is incurred on the warehouse services, under the reverse charge mechanism

• EC Sales Lists (ESLs) are currently only required for business-to-business intra-EC supplies of goods. However, they are also now required for intra-EC supplies of services which are subject to the reverse charge.

• ESLs will not be required for supplies which are exempt from VAT under the rules of the member state from where the supply takes place.

In addition to introducing ESLs for services, there have also been changes to the ESL rules for goods. Under the new rules:

- ESLs for services may be submitted on the basis of calendar quarters (or, if preferred, on a monthly basis)
- They may also be submitted on a calendar quarterly basis for goods (from 1 January 2010), provided that the value of supplies to other member states has not exceeded £70,000 (excluding VAT) in any of the previous four quarters in 2009 (from 1 January 2012 onwards, this limit will be reduced to £35,000).

It is important for businesses to make sure that their systems are able to comply with the new rules. They should also be aware of any opportunities to claim refunds.

Restrictions on pension tax relief

Venture capital trust (VCT) and enterprise investment scheme (EIS) providers have experienced a surge of interest in their offerings as the Government's restrictions on pension tax relief take effect.

An individual can invest up to £200,000 in any tax year into VCTs and 30 per cent income tax relief is available, provided the shares are held for a period of five years. No capital gains tax (CGT) arises on disposal and any dividends paid are free of higher rate income tax.

An unlimited amount may be invested in EIS allowing deferral of capital gains – however, income tax relief is restricted to 20 per cent of the first £500,000. Shares must be held for three years and on disposal there will be no CGT. Once held for two years, the assets qualify for business property relief and are therefore free from inheritance tax.

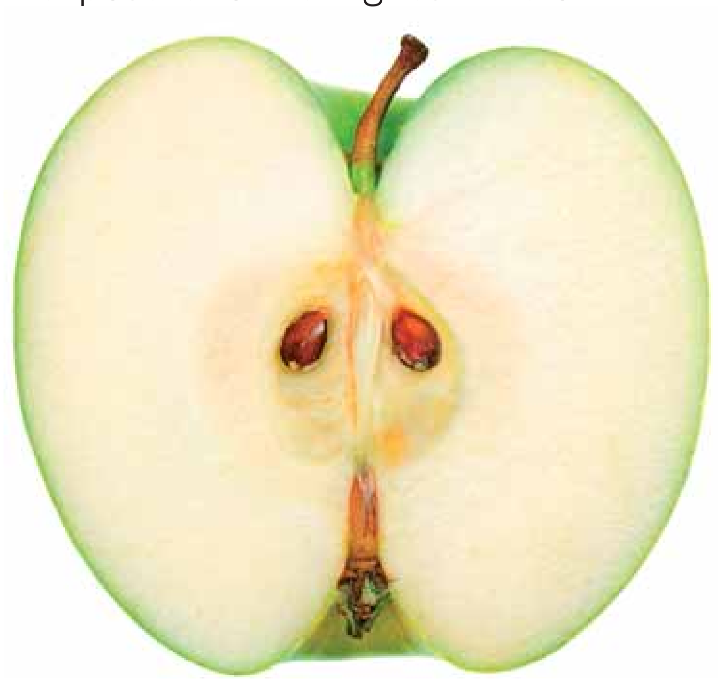
While the tax breaks associated with these investments look attractive, it is important to remember that the underlying investments can be high risk.

There are strict rules governing qualifying investments which tend to require investment in smaller entities. Due to the restricted size of the VCT or EIS offering, diversification can be difficult and there is a limited secondary market for the shares.

A number of providers have brought "limited life" or "planned exit" offerings to the market which look to limit the underlying risk, which could breathe new life into products which have largely been overlooked in recent years.

Cutting the pain of 50 per cent tax

Anyone with an income of more than £150,000 will now be waving goodbye to half their earnings – but there are ways to reduce your exposure to the highest rate of tax



We have now crossed the threshold into the new tax year when individuals will pay income tax at the rate of 50 per cent on earnings and investment income above £150,000.

Furthermore, taxpayers with income between £100,000 and £112,950 will suffer an erosion of their personal allowance, producing an eye-watering marginal rate of tax of 60 per cent in that income range. However, there are a variety of measures which can reduce exposure to the highest rate of tax.

For example, for 2010/11, it is possible to obtain 50 per cent tax relief on gross pension contributions of £20,000 or possibly more if a regular pattern of pension payments had been established before 22 April 2009.

Tax relief is available at 50 per cent for donations to charity made under the Gift Aid scheme. The recent Budget extended the relief to organisations which are equivalent to UK charities situated in the EU and in Norway and Iceland.

Married couples and civil partners might wish to arrange their affairs so that income-producing assets are owned by the spouse/partner with the lower marginal rate of tax. Ideally, one partner's income would remain below £100,000 so that at least one full personal allowance is available. Business owners operating through limited companies should consider deferring dividend and bonus payments. Of course, in the longer term, this strategy saves tax only if the 50 per cent tax rate is reversed.

Trustees will now pay 50 per cent income tax on income over £1,000 unless a beneficiary has an entitlement to income, in which case income will be taxed at the beneficiary's marginal rate.

However, measures proposed in this year's Budget are designed to ensure that trustees of settlor-interested trusts pay tax at the settlor's marginal rate even where that rate is less than 50 per cent. This means that settlors will be required to pay over to the trustees any repayments of tax they receive in respect of trust income paid out to them. These repayments will be disregarded for inheritance tax purposes.

Individuals, trustees and unincorporated businesses continue to pay capital gains tax at 18 per cent with increased lifetime allowances announced in the Budget in relation to Entrepreneur's Relief for businesses. Therefore, it is worth considering investing for capital growth rather than for income. It might also be time to consider gifting income-producing assets to adult children or other family members as part of an overall income tax and inheritance tax planning strategy. ■

> Business owners operating through limited companies should consider deferring dividend and bonus payments

Tax update contributed by Grant Thornton: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Andrew Addie,
CA, CTA, head of corporate tax for Scotland and Northern Ireland team


Aileen Ferguson,
expatriate tax manager

Savour some pre-election giveways

March's Budget was, as expected, a warm-up for the General Election. Despite the lack of apparent substance, there were several pre-election giveaways which should be savoured before the post-election hangover of severe spending cuts and higher taxes in the years to come.

Small businesses

The annual investment allowance has doubled to £100,000 from 1 April 2010 (6 April for income tax purposes). This provides businesses with 100 per cent first-year tax relief on business expenditure on qualifying plant and machinery. For chargeable periods spanning 1 April 2010, the limit will be apportioned. Larger businesses which invest heavily in plant and machinery will feel little benefit, however.

Entrepreneurs

The capital gains tax rate remained at 18 per cent, but the major surprise was the doubling of the Entrepreneur's Relief limit to £2m, extending the 10 per cent tax rate on a further £1m of qualifying gains instead of the headline rate of 18 per cent. The additional relief will apply to qualifying disposals on or after 6 April 2010, generating an additional tax saving of £80,000 for entrepreneurs selling their businesses.

First-time buyers

This initiative introduces an SDLT (stamp duty land tax) exemption for first-time buyers who are purchasing residential property of less than £250,000. This applies from 25 March 2010 until 25 March 2012 and it is expected that nine out of ten first-time buyers will now be exempt from SDLT. Also, from 6 April 2011, the SDLT rate on residential properties in excess of £1m will increase to five per cent.

How many of these measures will actually find their way onto the statute book is another question. The Government has published the Finance Bill but, in order to ensure that it can be processed quickly before the election, some measures have already been dropped, such as the plan to increase excise duty on cider. Regardless of who wins the election, it looks as if we will have two Finance Acts this year.

Cross ref Meet the new ICAS President – page 26

"Let's concentrate on the big issues and let management get on with the details"
Alan Thomson

Shedding light on residency issue

The Budget took us no closer to the long-awaited statutory residence test. However, the verdict in the recent appeal in the Gaines-Cooper case shed some light on UK residence status for those working overseas under a full-time contract of employment.

According to HMRC's guidance notes (previously IR 20 and now HMRC 6), an individual will be classed as not resident and not ordinarily resident from the day after departure if:

- they leave to work abroad under a full-time contract of employment that covers a complete UK tax year (but full time was not defined)
- they will be absent from the UK for a complete UK tax year
- their visits to the UK will average less than 91 days a tax year
- they start work immediately – a delay in the starting date of the employment could put back the start of non residence.

The view taken by HMRC after the original Gaines-Cooper case was that days of arrival and departure were to be included in the 91-day average calculation.

Previously, IR 20 stated they should be ignored, but then HMRC appeared to have changed its position. This resulted in a change of law which now makes the position clear. From 6 April 2008, you calculate "days in the UK" by including all days for which you are present in the UK at the end of the day, that is at midnight.

Taxpayers who intend leaving the UK to take up overseas residence, if they are not taking up full-time employment, now need to be very careful regarding the circumstances in which they can rely on the published guidance.

In Gaines-Cooper's case, the court had decided that he never ceased residence in the UK, so it was not the counting of the days in the UK that rendered him "resident". Instead, the court ruled that his social and family ties to the UK, which he had not broken, meant he had never ceased to be a resident of the UK.

In contrast, if an individual leaves the UK under a full-time contract of employment, it is not necessary for him or her to demonstrate that he or she has severed family and social ties.

Retail price index› [Jan 1987=100]

	2007	2008	2009	2010
JANUARY	201.6	209.8	210.1	217.9
FEBRUARY	203.1	211.4	211.4	219.2
MARCH	204.4	212.1	211.3	220.7
APRIL	205.5	214.0	211.5	
MAY	205.9	215.1	212.8	
JUNE	207.3	216.8	213.4	
JULY	206.1	216.5	213.4	
AUGUST	207.3	217.2	214.4	
SEPTEMBER	208.0	218.4	215.3	
OCTOBER	208.9	217.7	216.0	
NOVEMBER	209.7	216.0	216.6	
DECEMBER	210.9	212.9	218.0	

A full range of RPI figures is available from www.statistics.gov.uk

Law
Natasha
Durkin

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No place for bribery

New legislation means it is more important than ever that organisations have effective anti-bribery measures in place, says Natasha Durkin

The dissolution of Parliament took place on 12 April. As part of the "wash-up" process before this date, the Bribery Bill received Royal Assent and will become law throughout the UK later this year.

The existing criminal law on bribery in Scotland is a mixture of statutory and common law offences. The bill will repeal these, and they will be replaced with four new offences.

The first two offences are of bribing another and being bribed. The key idea behind these offences is that the "bribe", the promise or advantage offered, is made with the intention that a business activity or public function should be performed improperly. What is "improper" is judged against what would be expected by a "reasonable person" in the UK. Local customs and practices in other jurisdictions are disregarded in assessing this expectation, unless they are explicitly permitted by the law of that country.

A specific offence of bribing a foreign public official is included to comply with the Organisation for Economic Co-operation and Development anti-bribery convention.

The fourth offence is a new corporate offence of failing to prevent bribery. This has caused most concern in the business community, especially from businesses operating in other jurisdictions. An organisation will be guilty of the offence if a person associated with it bribes another person intending to obtain or retain business for the organisation. That is all that is required. Someone could therefore act on behalf of a company, and unbeknown to the company, pay bribes to win business. This would fall foul of the Act's provisions. The offence does, however, have a defence.

If the organisation had "adequate procedures" in place designed to prevent bribery then that is a defence. No further detail on what "adequate procedures" are is given in the Act. This has prompted much debate and, in February, the House of Lords introduced an obligation on the Secretary of State to publish guidance. Some detail of what the guidance will contain has been given by Lord Tunnicliffe. It will emphasise the importance of the board of directors in taking responsibility for anti-corruption, and suggest that companies appoint a senior officer accountable for oversight and the assessment of risk. The assessment might include identifying risks linked to the nature/location of the organisation's activity; ensuring the training of new/existing staff in anti-bribery procedures; having internal financial controls and record-keeping to minimise the risk of bribery; and establishing whistle-blowing procedures so that employees can report corruption.

The territorial scope of the Act is extremely wide as offences can be committed anywhere in the world. Individuals with a "close connection with the UK" will be liable, and the corporate offence applies to UK incorporated bodies and UK partnerships, wherever those bodies do business. It also includes all corporate bodies carrying on business in the UK. This means that a foreign company carrying on business in the UK could be prosecuted here for an offence committed in any part of the world.

It is vital that organisations ensure that they have adequate anti-bribery procedures in place. The prospect of a maximum penalty of 10 years' imprisonment for individuals, and an unlimited fine for companies and individuals, provides a clear incentive to take action.

There is no doubt that enforcement is becoming more rigorous: Mabey & Johnson paid out £6.5m after admitting paying bribes in Jamaica, Ghana and Iraq, while Aon were fined £5.25m by the FSA for failing to maintain effective systems to counter the risks of bribery and corruption. As enforcement steps up, so will the focus on the role of senior management in ensuring that effective anti-bribery measures are in place. ■

See also Reporter, page 12

NATASHA DURKIN *is an associate with UK law firm Shepherd and Wedderburn LLP.*

APB publishes draft anti-money laundering update

The Auditing Practices Board (APB) has issued an exposure draft of an update to Practice Note 12 (Revised), *Money Laundering – Guidance for auditors in the United Kingdom*.

This draft guidance has been approved under the Proceeds of Crime Act 2002 by HM Treasury and has been updated for the new ISAs (UK and Ireland).

The APB does not believe there are any substantial changes made as a result of the update for ISAs (UK and Ireland) and therefore HM Treasury will not be asked to reapprove the document following the exposure period, assuming there are no substantial changes made as a result of this consultation.

The APB anticipates issuing the guidance in final form soon after the end of the exposure period.

A copy of the exposure draft *Practice Note 12* (Revised) may be downloaded free from the publications section of the APB's website.

IAASB plans update on compilation engagements standard

The International Auditing and Assurance Standards Board (IAASB) is currently working on updating its standard on compilation engagements and plans to issue an exposure draft later this year to which ICAS will respond.

ICAS will consider the content of the final IFAC standard (expected 2011) before deciding whether to adopt this.

An event is being held in central London in conjunction with the IAASB Compilation/ Review Engagements Task Force on the morning of 21 July to allow the views of practitioners to be heard prior to the IAASB exposure draft being issued.

Any members who would be interested in attending should contact James E Barbour at jbarbour@icas.org.uk

Scottish Government aims to cut the cost of red tape

The Scottish Government has brought in a new scheme of Business and Regulatory Impact Assessments (BRIA). The BRIA process aims to encourage policy makers to find solutions that best achieve their proposed policy objectives, while minimising costs and burdens.

A BRIA toolkit has also been launched to provide more detailed and specific step-by-step information on how policy makers should complete a BRIA.

The policy maker will be expected to identify, visit and consult between six to 12 businesses – of varying sizes and sectors as appropriate – likely to be affected by the policy proposals being developed in order to quality assure any separate assessment of what the likely cost or benefit to business will be.

The policy maker must in particular pay attention to the impact on micro and small businesses within Scotland.

If your business, or your client's business, is affected by regulatory issues, then ICAS would encourage all members to fully and actively participate in the BRIA process, in order to reduce the costs of regulation.

Leap pad

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For further information on any of the articles in these Technical pages, contact:

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IFAC the International Federation of Accountants
www.ifac.org
IASB the International Auditing and Assurance Standards Board
www.ifac.org/iaasb
POB Professional Oversight Board **www.frc.org.uk/pob**

Audit Inspection Unit's work plan for 2010/11 unveiled


Audits of UK banks will be one of the AIU'S priority areas

The Professional Oversight Board, part of the Financial Reporting Council, has published a description of those entities whose audits will be deemed to be "major audits" for the purposes of audit inspections in the year from 1 April 2010 to 31 March 2011.

Such audits come within the scope of the work of its independent Audit Inspection Unit (AIU) in 2010/11.

Entities in this category will include UK unquoted companies, limited liability partnerships and industrial and provident societies to include all such entities having either a group turnover greater than £500m or having a group turnover in excess of £100m and external long-term debt in excess of £250m.

All banks incorporated in the UK will count as a separate category. No other significant changes have been made to the AIU's scope of inspection.

The AIU will pay particular regard to audit issues relating to segmental reporting, revenue recognition and fraud, and continue to focus on going concern, fair value accounting estimates, asset impairments and compliance with ethical standards.

Dame Barbara Mills, chair of the Oversight Board, said: "The challenges of the recession still present heightened audit risks in a number of areas."

New accounts preparation guidance issued

Revised accounts preparation guidance *A Framework for the Preparation of Accounts* (April 2010 version), has been issued by ICAS.

The work requirements have not changed, but the content has been updated for developments since the publication was last issued in April 2005. The main changes are:

- References to the 'ICAS Guide to Professional Ethics' now refer to the ICAS Code of Ethics and the main ethical principles have been updated to reflect this.
- The terminology has been revised to take account of changes brought about by the introduction of the Companies Act 2006.
- The accountants' reports have been revised to reflect the content of the agreed CCAB Compilation Report.
- Members/member firms are recommended to incorporate the optional risk management statements into their accountants' reports; however, this is ultimately a risk-management decision for each individual member/member firm to make.

Copies of the guidance can be downloaded from the ICAS website.

CCAB revises LLP SORP

The Consultative Committee of Accountancy Bodies has published a revised Statement of Recommended Practice (SORP) on accounting for Limited Liability Partnerships (LLPs).

The SORP applies to UK GAAP practice for all UK incorporated LLPs. The revisions incorporate amendments to FRS 25 (IAS 32) *Financial Instruments: Presentation.*

LLPs differ from ordinary partnerships in that they create a separate legal entity. Incorporation offers a limitation of liability for the members and therefore many of the provisions of the Companies Act 2006 also apply to LLPs. The SORP contains guidance on how UK GAAP can be applied to an LLP.

The amendments to FRS 25 affect the treatment of so-called "puttable instruments" and obligations arising on liquidation.

The basic premise of FRS 25 (IAS 32) is that a financial instrument that gives the holder the right to put them back to the issuer for cash or another financial asset (a "puttable instrument") is classed as a financial liability.

However, the amendment introduced an exemption to this rule. Where certain criteria are met, the instrument should be classed as equity rather than a financial liability.

Under this amendment, certain rights of members which have been classed as a liability of the LLP under the original version of FRS 25 will now be classed as equity under the amendment – under these rights, members would have an "equity-like" return.

For LLPs where members provide services – such as accountancy firms – it is unlikely that the amendment will have any significant impact. Detailed flow charts and examples are contained within the SORP to guide the practitioner through applying these amendments.

Corporate governance
James Barbour

Governance needs a level playing field

Measures to strengthen the engagement of institutional investors with the companies in which they hold a stake should not disadvantage UK-based entities, says James Barbour

As part of the Financial Reporting Council's recent review of the UK Corporate Governance Code (formerly known as the Combined Code), the FRC sought further consultation on replacing Section E of the Code on Communication (previously this section was headed "Relations with Shareholders") with a separate Stewardship Code.

The consultation period for this has now come to a close and the following is an overview of the ICAS response. ICAS has been a long-standing supporter of regulation that favours principles over rules and, as such, broadly welcomes the proposed introduction of a separate institutional investors' code and the subsequent removal of Section E from the Combined Code.

Long-term view and behaviours

The FRC, in its recent consultation on the Combined Code, set out the view – rightly, in ICAS's opinion – that every company should be headed by an effective board which is collectively responsible for the long-term success of the company.

It is questionable whether this could always be compatible with the objectives of institutional shareholders, where there can be conflict between making sufficient returns and participating in good governance. Selling shares in a company that is performing below expectations is looked upon as standard practice and more efficient than putting in the time and effort to establish why the company is under-performing and trying to aid its recovery.

Any proposed Stewardship Code has to recognise that these conflicts are genuine and produce a convincing argument that will encourage institutional shareholders to look for improved returns in the long term, as opposed to concentrating on short-term gains. This second point is the more challenging one that the FRC will need to concentrate on, as it will require a behavioural change to be successful. The recent backdrop in corporate governance activity has been increasingly focused on trying to alter company and board behaviours. It is therefore appropriate for this message to continue when it is extended into the area of UK company ownership.

UK v non-UK ownership

ICAS would caution that the FRC has to be mindful of the changing UK corporate ownership landscape that is no longer dominated by UK long-term institutional shareholders. Current estimates are that only about 25 per cent of shares in UK-listed companies are held by UK institutional shareholders. The FRC must be conscious that proxy voting is undertaken on more of a global basis and is not confined to the UK only.

For these reasons, ICAS believes that the current proposals to make the Stewardship Code almost mandatory for UK investors and only "encourage to engage" for foreign investors may have the unintended consequence of placing UK institutional shareholders at a commercial disadvantage. Their actions, and indeed possible inactions, will be open and transparent. This lack of a level playing field is something ICAS would ask the FRC to consider further before finalising the Stewardship Code. A potential improvement would be to have companies fully engaged in this process by actively encouraging or recommending to their non-UK-based institutional shareholders that they should sign up to the Stewardship Code as an indication of their commitment to good governance.

Differentiation and "comply or explain"

The proposed Stewardship Code would seem to treat institutional shareholders as having one common objective for voting in all of its investee companies. While this may be correct in some situations, it will not necessarily be correct in all situations. This differentiation has to be accommodated within the Code.

There should also be a recognition that just as shareholders are

asked to be mindful of the "comply or explain" approach, where a company has chosen that they would be better served by explaining (as opposed to complying) why they have not adopted certain aspects of the Corporate Governance Code, a similar position has to be afforded to those institutional shareholders who do likewise. Those institutional shareholders, who may have perfectly valid grounds for choosing to explain, rather than comply, should feel free to do so when it is appropriate without the fear of being publicly called to account by the market or the media.

In its recent response to the Combined Code review, ICAS called for the FRC to consider a change from "comply or explain" to an "apply or explain" basis. ICAS acknowledges it would be necessary to have a common language between the Corporate Governance Code and the Stewardship Code in this area.

Reporting

In adopting the Institutional Shareholders' Committee (ISC) Code, ICAS believes it would not be appropriate to adopt the AAF 01/06 reports (assurance reports on internal controls of service organisations) as mandatory. This would place an unnecessary cost burden on institutional shareholders and further disadvantage them from their overseas counterparts in terms of their responsibilities to the Stewardship Code. This is different from the relationship between the institutional shareholder and any voting services agency or investment manager they may engage. AAF 01/06 reports are already commonplace for this type of engagement and should remain so.

The Stewardship Code should be viewed as the institutional investors' equivalent to the UK Corporate Governance Code and as such, it may be more appropriate for companies to put the question of Stewardship Code compliance to their institutional shareholders on an annual basis, and have these results published in their annual report or on their website. This would also provide an opportunity to highlight those non-UK based institutional shareholders who may not wish to be involved or engaged in the stewardship process.

Conclusion

In an ideal world, a principles-based UK Stewardship Code is something that all companies, institutional shareholders, voting service agencies and fund managers would want to work towards. Unfortunately, this is not the reality in the UK and the Financial Reporting Council (FRC) has a sizeable task ahead of it in ensuring the respective buy-in from all interested parties involved in this process. ICAS believes this is an opportunity for the FRC to shape the future landscape of corporate ownership in the UK by ensuring that there is a Stewardship Code that fairly reflects the responsibility and more importantly the accountability of institutional share ownership in the UK. ■

> "The FRC has a sizeable task ahead of it in ensuring buy-in"

JAMES BARBOUR CA *is director, technical policy with ICAS*

Financial reporting
Jim Boyle

Jim Boyle explains what the shift to international accounting from UK GAAP will mean for the thousands of businesses that will be affected

Waiting for the starting signal

We are only a few months away from the confirmation of what will be the single biggest shake-up to UK financial reporting in our lifetime. UK GAAP as we know it will be withdrawn and replaced by IFRS for SMEs (the "international financial reporting standard for small-medium sized entities").

Users of accounts are increasingly looking for greater consistency and comparability in accounting, including for private companies, and IFRS for SMEs is in some ways the International Accounting Standards Board's (IASB's) compromise solution.

It puts forward a simpler and less onerous regime which better aligns some of the current accounting rules, while allowing certain opt-outs where the cost and effort of compliance with full IFRS would be disproportionate and excessive for privately owned companies.

Track this online
More on the IFRS for SMEs is at www.iasb.org/IFRS+for+SMEs

The accounting principles of IFRS for SMEs are set out in a single document, as opposed to the current maze of SSAPs (statements of standard accounting practice), FRSs (financial reporting standards) and UITF (Urgent Issues Task Force) statements under UK GAAP.

IFRS for SMEs is also helpfully organised by topic and only runs to about 10 per cent of the length of full IFRS, so it is difficult to argue that the IASB has not listened and simplified wherever practical and sensible to do so.

The proposals published last year require that, other than those small companies (as defined by the Companies Act's size criteria) which – at least in the short term – can continue to follow the Financial Reporting Standard for Smaller Entities, most current UK GAAP reporters are likely to have to adopt IFRS for SMEs for their first year-end accounts on or after 31 December 2012. This is likely to extend to certain unlisted but "publicly accountable" entities forced to adopt full IFRS, including certain investment trusts, co-operatives and credit unions.

December 2012 may seem like a long way off but, since comparatives will be required, this means having a clean starting position at 1 January 2011 – just over six months away. Since the proposals were published last year, there has been a high level of responses and public lobbying from corporates as well as from HMRC – which is itself mandating a number of challenging changes, such as the introduction of XBRL tagging of financial information.

There is a current view that when the final exposure draft is published, probably in summer 2010, the implementation date may slip by at least a year. Even so, we would urge companies to start thinking about the likely impacts over the coming months.

IFRS for SMEs is coming. The IASB and the UK's Accounting Standards Board are not likely to turn back now.

So what are some of the lessons learned by the thousands of companies which have already moved away from UK GAAP?

Get ahead of the game early

None of us like late surprises. The impact on no two companies is the same, and therefore it is important that you set up a team or at least allocate a senior finance team member with primary responsibility for assessing the likely impact.

If you currently capitalise development costs, revalue your land and buildings, amortise goodwill over 20 years or have forward currency contracts and interest rate swaps off balance sheet, then your results could be significantly affected. In some simple cases, the only change of substance might be the need to include a cashflow statement in your accounts. Get ahead of the game and find out which camp you are in as early as possible so that you can start informing and educating the various interested parties.

Understand your choices and make the right decisions

While many of the rules are fairly prescriptive, IFRS for SMEs does offer a number of choices across certain topics. If you have associates or joint ventures, for example, you could be spoiled for choice and may be able to use the cost, fair value or equity accounting model.

IFRS for SMEs also reminds companies of the existence of the "true and fair over-ride". That might be something to bear in mind if you think that the proposed accounting treatment under IFRS for SMEs simply makes no sense. Don't forget that there already is an option to adopt full IFRS. In certain cases, for example if an IPO is planned in the near future, this is worth seriously considering.

Where there are genuine choices it is important to understand them, consider the pros and cons and agree on the route that best suits your situation.

Document your assessment and engage the auditors throughout

The Financial Reporting Review Panel paid a lot of attention to the processes followed by listed companies in transitioning to IFRS and we would expect the same level of interest this time round.

It is important that you clearly document the thought process, references used, any assumptions applied and your overall conclusions. In many cases, you will want to prepare a summary paper and have this considered and endorsed at board level. While interpretations under IFRS have clearly settled down compared to where we were back in 2005, we would also urge you to share your initial thoughts and conclusions with your auditors just in case they see some things differently.

It's not just the numbers that are affected

As well as ensuring your IT systems can accommodate the changes, don't forget to check whether these changes might result in a need to reset bank covenants, revise earn-out arrangements or restructure bonus schemes where these are driven off headline numbers that might be about to change or become more volatile.

The devil is in the detail

This can often be the case. A number of listed companies were caught out by very subtle differences in the detail or tripped up by unwelcome additional disclosures around areas such as related party transactions, segmental disclosures or management remuneration. While there is a lot less detail to digest under IFRS for SMEs, it's important that you consider the disclosure requirements and identify any potential issues at an early stage so that fallout, internally or externally, can be managed properly.

You can't always manage the process from the centre

Tempting though it may be, where you have diverse operations either within the UK or beyond, it is not always possible to assess the impact of the transition from your group headquarters. Depending on the size and complexity of your group, you should look at following a fit-for-purpose approach which could range anywhere between having a global steering group down to developing a short, one-page checklist to help flush out any obvious differences worthy of further attention.

In many cases, your overseas subsidiaries will continue to have local reporting requirements which are not yet aligned with IFRS for SMEs.

> "It is difficult to argue that the IASB has not listened and simplified wherever practical"

Don't overlook the tax

The tax rules under IFRS for SMEs differ from UK GAAP in a number of areas and many of the accounting differences could also have an impact on your tax bill as well as your deferred tax position and overall effective rate.

It is critical that the potential tax impacts of these changes are carefully thought through, together with any necessary changes which need to be made to your tax planning.

Further reading

The IFRS for SMEs material is available to be downloaded free of charge from the IASB website (www.iasb.org). Even if it doesn't make your summer reading list, I would urge you to track it down over the next few months before it catches up with you. ■

JIM BOYLE *CA is an audit partner with Deloitte LLP.*

Employment Law
Dawn
Robertson

Busy doing nothing

Employers need to get it right when it comes to imposing 'gardening leave', warns Dawn Robertson

Who would not want the chance to take a spell of "gardening leave"?

Up to three months of paid time off to be spent redecorating the family home, playing golf, fishing for salmon or trout, watching whatever sporting events happen to be on the telly – or even pottering around the garden, for that matter. It's a no-brainer, surely?

In reality, gardening leave often has to be forced on the departing employee – and sometimes backed with the threat of sanctions if he or she appears reluctant to take it. In fact, some businesses have even had to go to court to force the employee to stay at home on full pay.

For all the resignations of "ordinary" workers that are part and parcel of everyday commercial life, it is the relatively few departures – ie those involving directors and/or other senior executives – that have the potential to cause the most problems. Whenever the issue crops up in televised drama (for example, BBC Four's *Mad Men*, which is set in a high-powered New York advertising agency in the 1960s), there is usually an abrupt and final parting of the ways, often over a whisky, and lasting no more than a few minutes. If only it were that simple in real life.

> "Gardening leave often has to be forced on the employee – and sometimes backed with the threat of sanctions if they are reluctant to take it"

In theory, all directors have a "fiduciary duty", which is a legal requirement to act solely and exclusively in the interests of the business. All employees, irrespective of seniority, have a "duty of fidelity", which though not expressly a part of a contract of employment, is a requirement not to act in a manner that would be considered contrary to the interests of their employer.

Certain duties of senior employees can also be extended, for a limited period, even after an executive has left for pastures new by what is called a "restrictive covenant'. This is a contractual provision to ensure that the employer is not unfairly disadvantaged by the outgoing director joining a rival company or setting up on his own in the same field of business. Typically, this could mean preventing him or her carrying out work for established clients of the former employer – or even putting commercial or geographical limits on where he or she might secure new contracts – for example, if

the customer base is particularly "local", the new organisation might be restricted from operating within a half-mile radius of a city. Other restrictive covenants involve time limits – for example, not engaging with a regular client for at least six months after taking up a new job; or with a client with whom one has worked during the last 12 months.

Although fairly common throughout business, these covenants are particularly to be found in the recruitment and independent financial adviser sectors, in professional services such as law and accountancy and in the banking sector, fund management in particular.

The problem with restrictive covenants is that, while forming part of the contract of employment, they are not always effectively drafted, perhaps being drawn up in a standard format by the in-house human resources department. Even when part of a carefully drafted contract, restrictive covenants become enforceable only if they are considered reasonable in scope and do not exceed what is necessary to protect the employer's legitimate business interests such as trade connections, trade secrets and other confidential information and staff stability. This means you could have a restrictive covenant clause in a contract but, when tested, that clause is unenforceable and, therefore, futile.

With the contents open to various levels of interpretation, many disputes end up in court. The more tailored the covenants are to the specific situation and particular employee, the more chance of validity – and, thus, enforcement.

As for gardening leave, if there is an express clause contained in the contract of employment, the employee must comply or will be in breach of contract. If the clause is challenged by the employee, which may happen if the clause contains express restraints on the employee's activities, or provides for a very long period of gardening leave, it may be considered by a court to be too wide. Nevertheless, in such situations the court may whittle the clause down to something which is reasonable, rather than hold it to be unenforceable.

The most obvious reason for attempting to enforce gardening leave is that businesses rarely wish to see a departing colleague remain at his or her desk, where they may easily become party to confidential information useful to a competitor. Neither, however, do they want the same individual to be in contact with a new employer or engaging in setting up a new business (and softening up existing clients and contacts) while working their notice. Gardening leave may not physically restrict someone to remaining in the family home during normal working hours, but the person is, to all intents and purposes, still in employment and, therefore, is still bound by their "fiduciary duty" and/or their duty of fidelity.

Some senior employees who are working their notice have gone to the courts to challenge being placed on gardening leave on the basis that they have "an implied right to work". One such case involved a spread better, who successfully argued that an employer's attempt to force on him a period of gardening leave, where there was no contractual provision for gardening leave, would leave him out of practice and, consequently, deficient in some of his previous skills.

Some businesses discover – too late – that enforcing gardening leave may be difficult because no such clause exists in the departing employee's contract of employment. This situation tends to crop up in banks, for example, when it involves a long-serving employee who has started at the bottom and risen through the ranks to an executive position and the advisability of inserting a gardening leave clause in his or her contract of employment has simply slipped through the net with each promotion.

In the case of the spread better cited above, the successful employee at least went through the proper legal channels to get his employer's intention to place him on gardening leave overturned. But what happens when a director who is on notice tries to circumvent gardening leave, perhaps by working for the "new" employer during the notice period, or simply ignores the terms of a restrictive covenant following termination of employment?

No matter how circumspect the person might be, word of extra-curricular activity usually gets out, in which case the aggrieved employer – should it feel strongly enough about the matter – is usually left with no alternative but to go to court. Fortunately, most companies in such a position need go no further than apply for an interim interdict, which typically might cost up to £3,000. Even if the other party decides to mount a challenge, the interim interdict will prevent him or her from continuing with their (disputed) business activities until the full case is ready to be heard by the court. In essence, this puts a barrier on the departing director poaching former clients or setting up in business with knowledge gained from the former place of employment.

Any individual foolhardy enough to ignore an interdict risks financial penalties and even the ultimate sanction – a term of imprisonment. So the moral is clear: for the business, the tighter the clause, the more chance of enforcement; for the departing executive, stick to the letter of a gardening leave clause (and a restrictive covenant) or else you might spend longer "on leave" than intended – and in a place you never imagined. ■

> "Some businesses discover that enforcing gardening leave may be difficult because no such clause exists in the departing employee's contract"

DAWN ROBERTSON *is head of employment with law firm Murray Beith Murray, in Edinburgh.*

Send your correspondence to institute@icas.org.uk

Institute.

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VOLUNTEERS WANTED>

Opportunities to engage

David Wood explains how ICAS is looking to recruit members to get involved with consultation on key issues affecting the profession

Your Institute needs you!

The Institute's Technical Policy Division is looking to set up "consultation groups" of members who are willing to contribute in specific subject areas.

The groups would complement the work of the existing technical committees and working parties, and would allow for a broader representation of members' views to feed into the policy positions which the Institute develops.

They would also allow members, who maybe can't contribute sufficient time to be on a committee or working party, to submit their views.

The Technical Policy Division works on behalf of members, whether this is by representing the views of CAs to the public, standard setters and government, or by collating the expertise and experience of members in order to provide guidance to the wider membership.

For the members involved, there are benefits from serving on working parties, email consultation groups or committees, such as keeping abreast of issues that affect the profession and being able to share experiences and issues with other members in similar fields.

Examples of recent policy areas that have been addressed by interested groups of members include:

• Corporate governance – recent consultations by the FRC on the shape of future governance have benefited from the input of a number of CAs from the listed company environment who are members of an email consultation group

• Investment incentive tax reliefs – a number of members who work in start-up companies and other small businesses, along with members who offer investment advice, teamed up with the Institute's Donald Drysdale to discuss problems experienced by those trying to raise start-up funding or other ongoing finance to compensate for the current dearth of bank lending.

Corresponding by email, this group prepared two submissions, one to the Chancellor and the other to the Financial Services Secretary, calling for specific alterations to Venture Capital Trust and Enterprise Investment Scheme rules, such as:

• Dealing with the economic downturn – members, some of whom run their own business and some who are business advisers, prepared a checklist of key points to be considered when a business is in an economically difficult period, which was made available on the website for all members.

As Becky Woodhouse of the Business Policy Committee noted, this had great benefits for her – she took time to consider what were the most important points for her own business, she could discuss the issues with other members, and there was something to offer back to fellow members.

We would expect to contact the consultation groups by email, to ask for member views.

The frequency of contact may vary significantly between the groups, according to the key issues of the day and what subject areas the Institute's technical team are working on. We hope that the members on each of these groups might also highlight issues arising in their areas of expertise, for discussion amongst the group or for the issue to be taken forward by the Institute as a submission to policy makers or as a proactive initiative.

Within the next year, we would expect these groups to evolve into online communities for the specific subject areas, hosted on the ICAS website, which will facilitate greater communication between members in these areas, and not just with the Institute.

Emails will be going out shortly to members, based on the work areas and interests specified on each member's ICAS profile.

We would encourage you to give consideration to volunteering to be on one of the consultation groups in your respective area of expertise or interest.

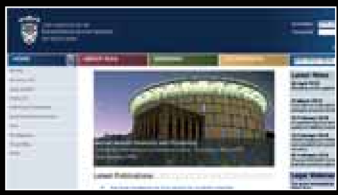
If you are involved in a number of different areas, you may receive more than one email. We apologise for this, but hope that you will consider volunteering for one of the groups.

If you are interested in becoming involved in a consultation group or there are specific points that you would like the Institute to raise, please contact David Wood, executive director – technical policy at the Institute, on dwood @icas.org.uk or telephone 0131 347 0100.

DAVID WOOD is executive director, technical policy with ICAS.

Bookmark your magazine>

See the ICAS website for more information on Institute events and services www.icas.org.uk



TRAINING>

Spotlight on CA business courses

Listing of relevant business courses, conferences and events taking place

A TECHNICAL UPDATE FOR ACCOUNTANTS IN BUSINESS
Wednesday
5 May 2010 Glasgow
Thursday
13 May 2010 Edinburgh
Wednesday
9 June 2010 Aberdeen
Thursday
10 June 2010 Perth
Thursday
17 June 2010 London
Topics include:
- Your Business, the Economy and your Bank – Preparing for the Upturn
- Financial Reporting Standards Update
- International Financial Reporting Standards Update
- Tax in the New "post-election" World
- Employment Taxes
- Directors' Duties

Supported by
AON
This course is offered in conjunction with CIMA Mastercourses
CIMA MASTERCOURSES

HOW THE BANKING BALANCE SHEET WORKS
Tuesday
25 May 2010 Glasgow
Speaker: Mary Campbell OBE CA, Founder and Managing Director, Blás. Limited Companies have been struggling to obtain bank finance at rates previously available. This course should help advisers and others involved in SMEs to understand the changed landscape.
Topics include:
- How banks work
- Capital structure of banks
- Credit crunch deleveraging
- Where are we now in the process?
- What does this mean for SMEs?

TAX PLANNERS' CONFERENCE
Wednesday
16 June 2010 Edinburgh
Chair: Aidan O'Carroll CA, Global Tax Leader, Ernst & Young
A must-attend conference for all corporate tax planners. With all the sessions geared towards highlighting tax efficient solutions, this conference will provide you with fresh insights to assist with your tax planning strategies in the current legislative and regulatory environment.
The conference will give you the perfect opportunity to learn from our thought-provoking panel of expert speakers about the current and potential issues which are likely to affect taxation.
Topics include:
- Recent Developments in International Tax
- The Ever Evolving World of VAT; Keeping up to Speed with the Changes
- Using Pensions as a Financial Planning Tool for Businesses
- Capital Allowances – Energy, Water, Plant/Machinery and to buy or lease
- Overview of the Chancellor's Budget and pre Budget changes for 2010/11 onward

For further details of these, or any other CABC courses, please contact Fiona Mackay on 0131 347 0213 or fmackay@icas.org.uk

Coming events

ICAS members meet

GLASGOW & WEST
Friday, 18 June
CA Connections – Networking
Speaker: To be advised
Venue: The Park Inn, 2 Port Dundas Place, Glasgow
Time: 8.15am for 8.30am concluding by 9.30am.
Refreshments will be served.
For further information contact Janice Glass. Tel 0131 347 0248 or email jglass@icas.org.uk

GRAMPIAN
Thursday, 20 May
Grampian Area Insolvency Practitioners Group AGM & Dinner
Venue: The Palm Court Hotel, Aberdeen
Time: 6pm
For further information contact Roy Roxburgh.
Tel 01224 356130 or email Roy.Roxburgh@mms.co.uk

Thursday, 27 May
ICAS Grampian Charity Quiz Night
Venue: Forum/ Stage Door
To reserve your table or for further information contact Sheila Sheils. Tel 01224 739358 or email ac-g@icas.org.uk

LOTHIAN, BORDERS & CENTRAL
Monday, 10 May
Joint event with University of Edinburgh Business School
Topic: Trends & Challenges - Taxation (Corporation & Income Tax)
Format: Discussion and workshop
Speakers: Bob Crawford, Jeffrey Crawford & Co, Edinburgh & Professor David Ulph, St Andrews University
Venue: University of Edinburgh Business School, Bristo Square, Edinburgh
Time: 5.15pm for 5.40pm. For further information contact Lesley Amos. Tel 0131 347 0253 or email lamos@icas.org.uk

Thursday, 10 June
Visit to Kevock Gardens
Venue: Kevock Gardens, 16 Kevock Road, Lasswade
Time: 6pm
Refreshments will be available (by donation)
For further information contact Lesley Amos. Tel 0131 347 0253 or email lamos@icas.org.uk

SOUTH WEST SCOTLAND
Wednesday, 12 May
Employment Law Update
Speaker: Law at Work
Venue: The Park HoTel, Kilmarnock
Time: 12.30 for 1.00pm
Refreshments will be served
For further information contact Janice Glass. Tel 0131 347 0248 or email jglass@icas.org.uk

Tuesday, 25 May
Ayrshire Association of Chartered Accountants Course: Regulatory Update / Audit Update
Speaker: Andrew Guntert, Mercia Group Ltd
Venue: Fairfield House Hotel, Ayr
Time: 9.30am to 4.15pm. For further information contact Andrew Pickles. Tel 01292 265071 or email andrewpickles@williamduncan.co.uk

TAYSIDE
Monday, 17 May
Grow your business with Internet Marketing
Speaker: Sandy Stevenson, Tour Scotland
Venue: The Hilton Hotel, Dundee
Time: 5.30 for 6.00pm.
Refreshments will be served. For further information contact Janice Glass. Tel 0131 347 0248 or email jglass@icas.org.uk

Monday, 21 June
Topic: to be advised
Speaker: to be advised
Venue: Discovery Point, Dundee
Time: 5.30 for 6.00pm.
Refreshments will be served. For further information contact Janice Glass. Tel 0131 347 0248 or email jglass@icas.org.uk

DATA PROTECTION>

Breaching the Data Protection Act 1998 – the commercial consequences for your practice

Unauthorised access to client data in various ways can have severe consequences for a CA firm. One UK accountancy practice has already been forced out of business.

The Members Services department of ICAS has organised a free road show, which will cover the following topics:
- Legal and regulatory background
- The impact of technological development
- Understanding the risks
- Damage to reputation
- Financial loss.

Delegates on the road show will receive free the *Information Security Framework 2010*, free e-guides to the Data Protection Act (DPA), a basic checklist and a special package price for a help sheet pack.

The venues are:
Tuesday 1 June
Inverness (5.00pm to 7.30pm)
Venue: Craigmonie Hotel, 9 Annfield Road.
Wednesday 2 June
Aberdeen (12.00pm to 2.30pm)
Venue: The Palm Court Hotel, 81 Seafield Road.
Dundee (5.00pm to 7.30pm)
Venue: Hilton Hotel, Earl Grey Place
Thursday 3 June
Glasgow (12.00pm to 2.30pm)
Venue: ICAS, 7 West Nile Street
Ayr (5.00pm to 7.30pm)
Venue: The Savoy Park Hotel, 16 Racecourse Road
Friday 4 June
Edinburgh (12.00pm to 2.30pm)
CA House, 21 Haymarket Yards

The speaker at each presentation is David Reynolds of the International Association of Accountants Innovation and Technology Consultants. Refreshments will be served.

Space at each of these venues is limited, so book early by contacting Janice Glass on 0131 347 0248 or by email jglass@icas.org.uk

MICRO ENTITIES>

Under the radar?

On 10 March 2010, the European Parliament voted in favour of a European Commission proposal to exempt so-called "micro entities" from the European requirement to produce and file annual accounts.

Before member states can adopt the exemption, the proposal must be approved by the Council of Ministers – and both the outcome and timing of a decision are by no means certain.

In the meantime, the UK Department of Business, Innovation and Skills (BIS) have trumpeted the exemption as reducing the burden on small businesses and creating real cost savings and, with the Conservatives voicing no opposition to the proposal, it seems likely to be adopted in the UK if it is approved by the Council of Ministers.

A "micro entity" is defined as a company meeting two of the following three criteria: less than €1m turnover, less than €0.5m assets and less than 10 employees.

Some estimates suggest that 79 per cent or more of UK companies would meet this definition.

At first glance it is hard to see the downside. The Commission have declared that the proposal would save an average small company €1,169 in annual compliance costs. But the devil is, as always, in the detail.

The Commission's figure of €1,169 savings assumes there are no additional requirements imposed – but annual accounts are not simply an exercise in compliance for compliance sake.

The accounts form the basis of a company's corporation tax return; they allow the calculation of distributable profits; they allow banks to assess the financial health of a company. Therefore won't companies still need to prepare accounts as they have always done?

The Commission proposal includes an explicit requirement for a company to maintain adequate books and records – so companies will still need to collect the same information as before.

The reality is that accounts will continue to be prepared – but under what reporting framework?

Currently the smallest companies in the UK are likely to be preparing accounts under the Financial Reporting Standard for Smaller Entities (FRSSE) – a simplified form of UK Generally Accepted Accounting Practice (GAAP).

With the Accounting Standards Board (ASB) currently consulting on the future of UK GAAP, the future of the FRSSE is by no means certain.

It seems likely to be replaced by either, the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) or a FRSSE based on international standards.

The alternative to a reporting framework set by the ASB appears to be HM Revenue and Customs (HMRC) GAAP.

Having the tax authorities setting accounting standards is not ideal.

However, setting aside the practical implications of the Commission's proposal, there is a more fundamental issue at stake.

The incorporation of a business grants the owner the protection of limited liability – in return for increased transparency.

What about the business with micro entity customers – how is the credit worthiness of those customers to be assessed?

At the moment that business can access the information via Companies House, but that information might no longer be publicly available.

It is possible that the end result will be making it more difficult for small companies to obtain credit – thus hurting the very businesses the proposal is hailed as helping.

The future of financial reporting for smaller entities needs to be properly discussed.

See also Anton Colella's blog on www.camagonline.co.uk

Obituary

In memoriam

Russell Ross Boath died on 11 March 2010, aged 49. He lived in Broughty Ferry, Dundee, and was admitted to membership on 10 September 1986. Mr Boath was finance director of Maersk Oil North Sea UK Limited at the time of his death.

Andrew McCartney Dykes died on 20 March 2010, at the age of 81. He lived in Troon in Ayrshire, and was admitted to membership on 26 March 1952. Prior to retiring, Mr Dykes was chief accountant at Yard Ltd.

Andrew Ritchie Johnston died on 11 March 2010 at the age of 75. He lived in Bishopbriggs, in Glasgow, and was admitted to membership on 16 September 1960. Prior to retiring, Mr Johnston was director of Justerini & Brooks (Scotland) Ltd.

John Kinloch died on 12 March 2010, aged 75. He lived in Stanford-le-Hope, in Essex, and was admitted to membership on 20 September 1957. Prior to his retirement, Mr Kinloch was director of MCS Meridian Ltd.

James Norman MacKay died in February 2010 at the age of 96. He lived in Edinburgh, and was admitted to membership on 30 March 1937. Following war service in the RNVR, Mr MacKay worked for City Bakeries in Glasgow, where he became finance director and company secretary, before being appointed managing director. After leaving City Bakeries, he joined Ernst and Whinney.

George McCulloch died on 23 March 2010, aged 74. He lived in Newton Mearns, Glasgow, and was admitted to membership on 30 March 1060. Prior to his retirement, Mr McCulloch was a consultant at Cook & Co.

James McKee died on 25 February 2010 aged 67. He lived in Bishopbriggs, Glasgow, and was admitted to membership on 18 December 1968. Prior to retiring, Mr McKee was a partner with Hardie Caldwell LLP.

William Cook Marshall died on 11 March 2010, aged 83. He lived in Ayr, and was admitted to membership on 14 September 1956. Prior to his retirement, Marshall was the sole practitioner of WC Marshall.

John Alan Dalziel Philp died in October 2009. He was 90 years old, and lived in Wantirna, in Victoria, Australia. He was admitted to membership on 22 February 1950. Prior to retiring, Mr Philp was employed by Peat, Marwick and Mitchell & Co.

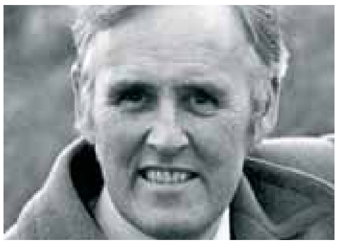
James Nicoll Roberts died on 15 January 2010 at the age of 92. He lived in Montrose, in Angus, and was admitted to membership on 27 March 1946. He was in practice in Montrose for 35 years. After the war Mr Roberts built up his own practice, working first in a solicitor's office and then branching out on his own.

Ralph George Wallace died in March 2010 aged 96. He lived in Sutton Coldfield, in the West Midlands, and was admitted to membership on 29 March 1938.

William Cuthbertson Wolfe died on 18 March 2010, aged 86. He lived in Hamilton, Lanarkshire, and was admitted to membership on 26 March 1952. Prior to his retirement, Mr Wolfe was the sole practitioner of William C Wolfe (See below).

Obituary

In memoriam



William "Billy" Wolfe, who died last month at the age of 86, was leader of the Scottish National Party at a pivotal point in its history, between 1969 and 1979.

Wolfe saw active service in the Second World War, then qualified as a CA after he was demobilised in 1947.

He joined the SNP in 1959, and was the SNP candidate at the 1962 West Lothian by-election. He contested the seat at a further six general elections, taking nearly 41 per cent of the vote in 1974, in a long-running rivalry with Labour's Tam Dalyell.

In 1969, he became national convenor (leader) of the SNP and held that office for 10 years.

Under his leadership the party surged to a record 11 Westminster seats in the second election of 1974, although it suffered a significant reverse in 1979.

He continued to be active in the party and his protégé, Alex Salmond, is now the SNP's leader.

Wolfe was also active in the Campaign for Nuclear Disarmament, for which he was treasurer in the 1980s, and he was committed to the scouting movement. He wrote *Scotland Lives: the Quest for Independence* and was also a prolific poet.

He is survived by his second wife, Kate, and by four children from his first marriage.

People are your most valuable asset

HEALTH AT WORK>

Workforce health was the subject of a discussion event held at CA House, Edinburgh in February.

The event focused on initiatives currently undertaken within business to improve and monitor workforce health, following on from the publication of the ICAS research publication *Recognising Workforce Health as a Key Organisational Asset: A Study of Current Thinking and Practice*.

Professor Robin Roslender of Heriot-Watt University, who led the research team on the report, said: "Managers often say that 'People are our most valuable asset', so it follows that it makes sense to take these assets into account.

"Health and wellbeing should be recognised as being among the attributes of an organisation that can be increased by investment."

Chairing the meeting, Martin Darroch – chief executive of law firm Harper Macleod and an ICAS council member – explained how at his firm, health and corporate social responsibility policies were part of an overall strategy to maximise staff morale and engagement. He added: "One challenge is being prepared for, and leading your business through, the unexpected."

Also at the meeting, Dr Eric Teasdale, chief medical officer – global health & wellbeing with AstraZeneca, talked about his company's workforce health initiatives. He stressed that "the quality of leadership" was the single most important factor in the wellbeing of the workforce. He added that "the health and wellbeing of employees strongly impacts on the ability of an enterprise to perform its functions and to meet its vision and mission".

Finally, Donna Burnett, health, work and wellbeing co-ordinator with the Scottish Government, stressed that "a healthy workforce contributes to the bottom line".

Recognising Workforce Health as a Key Organisational Asset recommended that the accountancy profession consider:

- A concerted effort to promote interest in the intellectual capital field
- Making accountants aware of how it's possible to account for various components of intellectual capital, surrounding health and wellbeing
- To work in conjunction with other managerial professions, including human resource management and occupational health specialists
- Influencing central government to install a portfolio of legislation, compelling employers to take a greater level of responsibility.

The executive summary of *Recognising Workforce Health as a Key Organisational Asset* can be viewed at www.icas.org.uk/roslender and the full report is available from the ICAS Research Centre or can be downloaded from the ICAS website via the same link.

The slides from the event can be accessed at www.icas.org.uk/workforcehealth

AUDIT SCHOOL>

Back to school for internal auditors

Leading audit expert Professor Andrew Chambers is running a series of summer schools for internal audits in London though his firm, Management Audit LLP. Each course is modelled around one of his recent textbooks, but with emerging issues given a particular focus. The summer schools are:

- **Auditing Business & IT Processes Summer School**

Monday 9 to Friday 13 August

- **International Internal Auditing Summer School**

Monday 16 to Friday 20 August

- **International Corporate Governance Summer School**, Monday 23 to Friday 27 August.

The courses are non-residential. To find out more, please contact Professor Chambers at profadc@aol.com

These schools have been popular with participants from across the world as well as from the UK and are, says Management Audit, an ideal networking opportunity.

centrica energy

Business Development

Centrica Energy Upstream (CEU) was launched in January 2010 following the acquisition of Venture Production plc by Centrica plc in 2009. Adding Venture Production's operating capabilities to Centrica's resource base has created a full service operator, headquartered in Aberdeen, that is the 7th largest oil and gas producer in the UK Continental Shelf with growing businesses in the Netherlands, Norway and Trinidad.

Centrica Energy Upstream - Aberdeen/Windsor

Competitive Package

CEU's Business Development team is based in Aberdeen with staff in Windsor, Stavanger and Hoofddorp. The team is tasked with identifying and executing corporate and asset acquisitions in CEU's core markets as well as supporting the development of new target markets. There is a strong focus on internally generated transaction opportunities. Close liaison is required with group finance, tax, legal and M&A advisors. CEU is seeking to recruit CA's with both upstream oil and gas and transactional experience. The successful candidates will be able to demonstrate:

- Strong academic credentials.
- Transactional experience either as a principal in industry, corporate banking or private equity or in a transaction services advisory capacity.
- A genuine interest in upstream oil and gas including an awareness of the structure of the industry.
- A pragmatic and commercial approach to deal-doing.
- Extensive experience of financial modelling.
- That they are comfortable with the irregular and intense nature of transaction led working life.
- A personable manner and can do attitude.

The roles are based in Aberdeen and Windsor but will require frequent travel. There is a degree of flexibility to the grade of the position that is to be filled and candidates at any level with the appropriate background will be considered. All roles report direct to the Business Development Director.

To apply please visit **www.centrica.com/careers** and in the search by job reference field type CE1738.

www.centrica.com/careers

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- Personality to communicate, influence and motivate
- Experienced in use of accounting software at all levels
- Experienced in developing and using spreadsheet models
- Ideally familiar with the publishing industry

The position is initially a minimum of 2 days per week, which could be worked flexibly. Within some two years, the position of full time finance director will become available due to the planned retirement of the incumbent. It is anticipated that the candidate would fill this extended role. Salary is competitive and benefits meet best practice in the sector, including contributory pension and EMI share option schemes.

Please apply by letter or email to: **Willie MacRobert**, Finance Director, Birlinn Limited, West Newington House, 10 Newington Road, Edinburgh, EH9 1QS or **recruitment@birlinn.co.uk**