

## IN THIS ISSUE:

*"Together with the regular roundup of news and activity from across the firm, this issue focuses on BDO's Consumer Markets team and the work we do in this fast-moving and innovative sector"*

### **Stuart Collins**

Head of Consumer Markets

## ALUMNI*news*spotlight

Hear from former consumer markets colleagues:

### **Florence Macfarlane**

Finance Director, The Genuine Dining Co.

### **Andrew Kennard**

CEO & Head Chocolatier, Kennard's Artisan Chocolates

### **HIGH STREET WOES**

Sophie Michaels details the effects on the High Street in its toughest year to date

### **THE NEW FACE OF HMRC**

Daniel Dover & Helen Adams' new book helps taxpayers understand the complexities of tax investigations

### **INVESTING IN YOUR FD**

Paul Morris demonstrates how investing in your FD can create value

# CONTENTS

- 2** News from the top
- BDO and Moore Stephens merger talks
  - Managing Partner Update
  - BDO elects new senior partner.
- 9** Sector focus: CONSUMER MARKETS
- What is the state of the sector?
  - High street suffering worst year to date on record: [Sophie Michael](#)
  - Restaurants and bars: [Mark Edwards](#)
  - A sporting chance: [Ian Clayden](#)
  - ALUMNI*news* spotlight interviews with [Florence Macfarlane](#) and [Andrew Kennard](#).
- 28** In other news
- Awards and achievements
  - New partner of the year
  - Queen's Birthday honours recognition
  - The new face of HMRC: Behind the tangled web
  - BDO Guernsey becomes independent member
  - Five ways to invest in your finance director: [Paul Morris](#).
- 36** Alumni events and activity
- A round up of regional alumni events and activity.

**ALUMNI*news***  
A BI-ANNUAL NEWSLETTER - KEEPING US IN TOUCH

## SHARE YOUR VIEWS

To comment, contribute or feature in future editions, please get in touch with your alumni manager, [Lorraine Barwell](#)

## CONNECT WITH US ON LINKEDIN

Connect with more of your former colleagues and network with them online by joining our **[BDO LLP Alumni LinkedIn Group](#)**. We have over 1,600 members. We use the LinkedIn Group to share thought leadership, interesting articles and firm news with our alumni – a quick and easy way to keep in touch and up-to-date.

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the storm and seeing their businesses grow and develop by anticipating market trends and focussing on what they do best. Many of our clients are having to face cost issues arising from diverse sources such as Brexit, IFRS 16, business rates, minimum wage and staffing and skills shortages and the sector faces a particularly difficult period ahead. We are confident that they will find the capabilities to be successful and we look forward to continuing to support them in their journeys.

I have been heading up the Consumer Markets team for three years now and have been delighted to see its rapid growth and the strength of our list of well-known brands. We have grown our team to eight partners and nearly 130 staff and are proud to be probably the largest specialist team focussing on this sector in the UK. Our alumni will always be a fundamental part of our growth with the consumer markets industry having become home to many BDO alumni. In this edition of **ALUMNInews** we hear from **Florence Macfarlane** and **Andrew Kennard** – just two names from our alumni network causing a stir in this competitive industry.

We also enjoy regularly meeting up with our alumni network at our quarterly CM Alumni Drinks, the next one being held in the new year – hopefully we will see many of you there!

**STUART COLLINS**  
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## WELCOME TO THE WINTER 2018 EDITION OF ALUMNI**NEWS**

This edition of **ALUMNInews** has a special focus on our Consumer Markets team and the work they do in this vibrant sector.

The consumer markets sector, which includes retail, betting & gaming and leisure & hospitality, is a fast moving, rewarding sector that has faced many challenges this year. The travails of the high street and the casual dining segment have been well reported and we have seen our share of difficulties, however many of our clients are weathering

# BREAKING NEWS

We are delighted and excited to confirm that BDO is in advanced merger discussions with Moore Stephens LLP to create a market-leading firm, with revenues of £590m and a 5,000-strong team.

The new firm will be the leader in advising the UK's entrepreneurial mid-sized businesses but will also challenge its larger competitors for more complex audit, tax and advisory work.

The proposed deal further cements BDO's position as the first-choice auditor for AIM businesses and the combined firm will be one of the top auditors in the country based on the number of UK-listed companies it audits.

Both currently top ten businesses, the combined firm will boast tax and audit practices far larger than its nearest mid-tier competitors and retain deep and broad sector expertise.

On completion of the deal - expected spring 2019 - the combined firm will have a gross annual revenue of £590m delivered by 5,000 people across the UK. The firm will take on the BDO brand, as it will remain part of BDO globally, the largest mid-tier accountancy organisation in the world with revenues of over \$9billion and operating in 162 countries.

Partners of both firms have voted in favour of the merger, subject to final contracts.

Our two firms operate in very similar sectors: energy, technology, retail, real estate, financial services and more. Moore Stephens is also very strong in the shipping insurance and donor assurance sectors.

The proposed deal relates only to Moore Stephens LLP, consisting of the London, Birmingham, Reading, Bristol and Watford offices of the current Moore Stephens UK network. In London, BDO - with our HQ in Baker Street - plans to take on a second office in the City to accommodate the growth and retain the city-based presence for clients after the merger.





**PAUL ENGLAND, MANAGING PARTNER, BDO SAID**

“It was clear from our first meeting that we share similar culture and values. As professional services firms, our people are our greatest asset and it is essential that we create an enlarged business that retains the best of our similar cultures. Both firms are full of innovative people who are experts in their field - this will continue.

BDO is in a great position in the market, both in the UK and across the world as part of an \$9bn BDO global organisation. In the last 12 months - in the wake of Carillion and the subsequent focus on competition in the audit market - the UK market now has a better appreciation of BDO's capability and quality. This deal increases our credibility further and proves our commitment to competing in the top-end of the market.

But we've always said that size isn't a proxy for quality. A driver of this merger is one of sustainable and profitable growth that benefits our clients, people and capital markets alike.”

**SIMON GALLAGHER, MANAGING PARTNER, MOORE STEPHENS SAID**

“To be entering final discussions to create the largest UK accountancy firm focused on entrepreneurially-spirited and fast-growing businesses is exciting - and critical for market competition. The proposed merger provides a platform for continued, sustainable growth, as well as offering something different to the market at this important time.

Clients are asking us to deliver an ever-increasing range and depth of solutions, provided globally. Combining with BDO makes providing that much easier.

It's the people who will make this merger a success, which will translate into greater career opportunities and development, allowing them to deliver more valuable services to clients. BDO is also a very well-respected, financially-stable and focused firm, with an entrepreneurial heritage. Combined, we offer something truly unique and special.”

# MANAGING PARTNER UPDATE FROM PAUL EAGLAND



## My view, the last 12 months, the next 12 months

October saw me start my third year as Managing Partner – which means we are also now into the third year of our strategic framework too, which is a perfect time to reflect on our successes over the last year but also explore the next stage of our strategic journey.

**F**irst of all though it's worth reflecting that – putting it mildly – we live in interesting times.

The fundamentals of international trade, technology and world politics are changing and impacting businesses across the world. Here in the UK, Brexit is perhaps the most visible challenge facing the economy but it would be wrong to categorise it as the only one.

Globalisation and technology are transforming the UK economy. At a time where the innovation of today quickly becomes the norm of tomorrow, business leaders are spending more resources on understanding how technology will impact them and how they can harness it

for growth.

At BDO, we are optimists and believe the UK has the talent, ideas and entrepreneurial spirit to not only weather these changes but to thrive.

The great challenge for all businesses – including our own – is to address the medium and long-term changes brought about by technology and regulation while delivering sustainable and profitable growth during a very uncertain time.

I am pleased to report that BDO is doing just that.

We've had a fantastic year with revenues totalling £464.1m; growing 8.5% compared to £427.8m last year.

Our priority, however, has always been on profitable and sustainable growth.

We have continued to invest in our people and in technology and, consequently, posted profits of £109.4m. These profits are the lifeblood of our business as they allow us to recruit and retain highly skilled and specialised people as well as provide the funds we need to invest in technology that will help us grow in the future.

And that is important because, while accountancy is often

characterised as a profession that is solely about numbers, in my experience, our clients buy our people, which is why we continue to invest in them as a priority.

This year we promoted over a quarter of our people (1,115) in the UK, recruited 11 additional partners, promoted a further 14 to partner and welcomed 306 new trainees to the business.

BDO UK

**6** Offices **275** Partners  
**1** **3,600** Staff

**97%** OF OUR CLIENTS  
WOULD RECOMMEND US<sup>1</sup>

**2017/2018 RESULTS:**  
REVENUES<sup>2</sup> UP **8.5%** TO **£464m**

1. Client Listening Programme 2. Gross Revenues

## PROMOTIONS

This year we promoted 14 new partners, which came into effect of 1 July, across our tax, audit and advisory teams:

- ▶ Joe Aswani
- ▶ Cory Blackmore
- ▶ Duncan Berry
- ▶ Arbinder Chatwal
- ▶ Matt Crane
- ▶ Andrew Crossman
- ▶ Richard Dalton
- ▶ Charles Ellis
- ▶ Iain Nettleton
- ▶ Brad Payne
- ▶ Andrew Radford
- ▶ Steve Talbot
- ▶ Louise Sayers
- ▶ Chris Young

Our strong financial performance in the UK as well as our membership of a successful global network has enabled us to further invest

in audit processing tools, analytics and robotics. This means that we can provide quick and accurate processes allowing our people the time to focus on 'value add' advice to clients and tackle more specialised and complex projects.

Globally, BDO's international network continues to go from strength-to-strength. Our network provides services in 162 countries, with 80,000 people in 1,600 offices worldwide. It has revenues of US\$9 billion. In a post-Brexit world where international relationships will ebb and flow, BDO is well placed with strong relationships across the global network not just in Europe.

As I look ahead to the next 12 months I am certain that our strategic framework (called BUILD and focusing us on five priorities of Brand, Unifying culture, International, Leading our markets and Digital) will help us to not only to navigate the challenging times ahead but to thrive in them to.

As we start the run up to the festive period and look forward to some well-deserved time with family may I wish you a very happy break and a healthy new year.



## OBITUARY | SHAY BANNON

It is with great sadness that we mark the passing of Shay Bannon earlier this year. Shay worked for BDO for much of his career and since 2008 led BDO's National Business Restructuring team. For many years Shay was at the heart of our firm and he made a huge personal contribution to our sense of partnership and to our success. He was an outstanding and selfless leader, and his wry humour and his joie de vivre will be greatly missed.

*In memory of Shay Bannon, 12 October 1958 – 12 May 2018*



## BDO ELECTS NEW SENIOR PARTNER

**Last July saw BDO announce it had elected a new senior partner, Matthew White, which came into effect on 1 October for a four-year term.**

**M**atthew has been a partner at BDO for 17 years. Alongside his client-facing role within the audit practice, he will now have oversight of the firm's governance, as well as responsibility for partner welfare and brand ambassadorship.

Matthew succeeds **Mark Bomer**, who has served two successful terms as Senior Partner since 2010. Bomer's period in office has been characterised by building on the firm's strong culture of partnership, his international outlook and commitment to inclusion, particularly gender balance. He is a founding

chairman of the 30% Club, a cross-sector initiative to raise the number of women on FTSE100 boards, and he took a leading role in seeing to ensure that professional firms build a strong pipeline of future female leaders. Mark also galvanised support for Dame Helena Morrissey's recent Diverse City fundraisers, pushing for better cultural practices in the City of London and beyond.

Matthew will seek to build upon this legacy, focussing on internal governance, partnership culture and welfare, as well as international growth.


**MATTHEW SAID**

“*BDO is currently in a great place: culturally, financially and globally. Yet the business landscape is changing faster than ever before, including geo-political, technological and market uncertainties. The Senior Partner has a very significant role to play in helping the firm to address those challenges in the UK and international markets. I've long aspired to take on this role and think it's an amazing personal privilege to serve in this position and to help BDO continue to succeed.*”

*On behalf of the entire firm, I thank Mark Bomer for the ambition, warmth and direction that he has brought to this role over the last eight years. I look forward to following in his footsteps and working alongside our talented leadership team to grow the UK business while maintaining our unique culture.”*

**MARK BOMER COMMENTED**

“*It has been an extraordinary privilege to serve as BDO's Senior Partner for two terms, and I'm thrilled that Matt has been elected as my successor. I've worked closely with Matt throughout his career at the firm, and am confident that he will bring passion, vision and energy to the role.*”

A woman with her hair in a bun, wearing a vibrant red sleeveless dress and black high-heeled shoes, is captured in a graceful backbend. Her right arm is extended upwards, and her left arm reaches down towards the ground. The background is a clean, light grey with a large, faint watermark of the letters 'BDO' in the background. A red vertical bar is visible on the left side of the image.

IT'S A STANCE  
YOU MIGHT  
NOT EXPECT  
FROM AN  
ACCOUNTANT

But  
bending  
over backwards  
to champion the  
entrepreneurially minded  
is what we do.

IDEAS | PEOPLE | TRUST

[bdo.co.uk](http://bdo.co.uk)

**BDO**

# SECTOR FOCUS: CONSUMER MARKETS

Our dedicated team of consumer markets specialists understand the challenges and industry issues our clients face on a regular basis and plays a leading role in providing practical advice and thought leadership across the many facets of this diverse sector, including, amongst others:



**O**ur experience, research and overall knowledge of the industry allows us great insight as to what is actually

happening on the ground. The following provides an overview of this fast-moving and innovative sector and where it currently stands.

# WHAT IS THE STATE OF THE SECTOR?

**It is no secret that the consumer markets' sector has faced a challenging year in 2018, brought about by continued political uncertainty and increasing retailer costs.**

**H**owever, it's not all doom and gloom, and the warm weather over the summer coupled with the World Cup and Royal Wedding culminated in a boost in sales for pubs, who were already benefiting from the rise in popularity of craft beers and gin. Likewise, for the first time in the UK's hotel market saw average room rates soar to above £100 per night, with the London market remaining particularly robust.

More widely, the UK economy grew by 0.6% in

the third quarter of 2018, accelerating by two tenths from growth registered in the second quarter of the year, and achieving a two-year high growth rate for a third quarter. UK's unemployment rate increased to 4.1% in the third quarter, up from 43-year record low of 4.0% during the second quarter, but remained lower than a year earlier (4.3%). UK inflation rate remained steady at 2.4% in October, despite expectations of a rise to 2.5%. However, it remained well above the Bank of England's 2% target.

## STRONG LONDON PUB AND RESTAURANT TRADING OFFSETS POORER SALES IN THE REGIONS

According to latest Coffey Peach Business Tracker, Britain's managed pub and restaurant groups experienced collective like-for-like sales growth of 0.2% in October, with pubs and bars doing better than casual dining businesses.

London pubs and restaurants saw like-for-likes up by 2.5%, against a 0.5% like-for-like sales decline outside the capital. Pub and bar groups outperformed restaurant chains both nationally and in London.



Across the country, pubs and bars were collectively up by 0.6% on like-for-like sales, and up 3.6% in London compared with a year earlier. However, sales declined by 0.4% outside the capital.

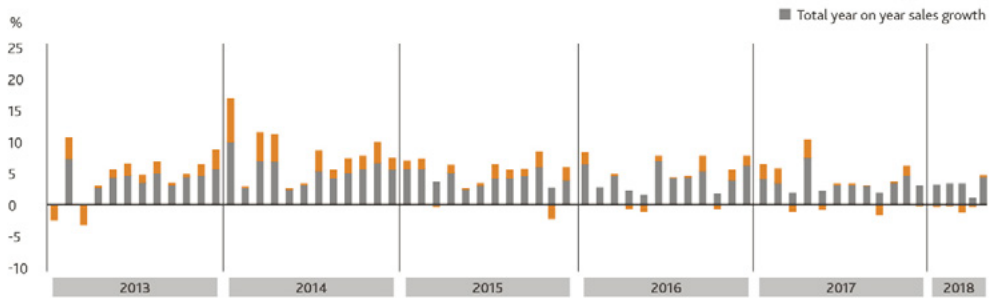
With competition stronger than ever, latest figures show people are still drinking and dining out but showing little or no growth. The relative

stagnation in the eating and drinking-out market remains in line with the consumer confidence downwards trend, and yet again the crucial festive trading season will make the difference between success and failure for many businesses, which are currently struggling and could face further branch closures in the medium term.

## HIGH STREET SALES HIT BY WARM WEATHER

BDO's High Street Sales Tracker reported an in-store like-for-like LFL sales decline of -2.7% in August from a base of +2.0% for the same month last year. The result marked the worst August decline for three years and the second worst August since records began in 2006. Fashion in-store LFL's fell sharply, down by -3.6% from a base of +1.5% for the same month last year. The result marked the poorest August for fashion since 2015 and the worst in-store month of the year-to-date with the exception of a snow-hit March. Fashion was down in-store in every week of August and down by more than 3% in three weeks of the month. Despite a reported increase in staycations over the bank holiday, any additional spend failed to translate onto the high street.

PUB & RESTAURANT SALES GROWTH 2013-2018 (YTD)



SOURCE: COFFER PEACH BUSINESS TRACKER

CONSUMER CONFIDENCE 2008 - 2018 YTD CONFIDENCE INDEX



SOURCE: GFK CONSUMER CONFIDENCE INDEX



## UK HOTELS CONTINUE TO BENEFIT FROM RECORD-HIGH INTERNATIONAL AND DOMESTIC TRAVELLERS

UK hotels continued to benefit from the record-breaking inbound visitor numbers, attracted by the favourable exchange rates this summer. Alongside international visits, the number of staycations continued to increase as trips abroad become more expensive for British holidaymakers. Overseas visitor numbers grew for the eighth consecutive year in 2017, setting a new annual record at 38.9m. VisitBritain and the ONS have forecast the total visits for 2018 to be 41.7m, an increase of 4.4% on 2017; and £26.9b in visitor spending, an increase of 6.8% on 2017.

In the third quarter of the year, the overall daily rooms yield for UK hotels increased by 1.1% to £57.82. Occupancy (up by 1.5% to 79.2%) continued to be the main driver of growth for hotels performance but the healthy results were offset by declines in AARR (average room rates), down by 0.6% to £72.02. London hotels outperformed the Regional market with positive performance across all segments.

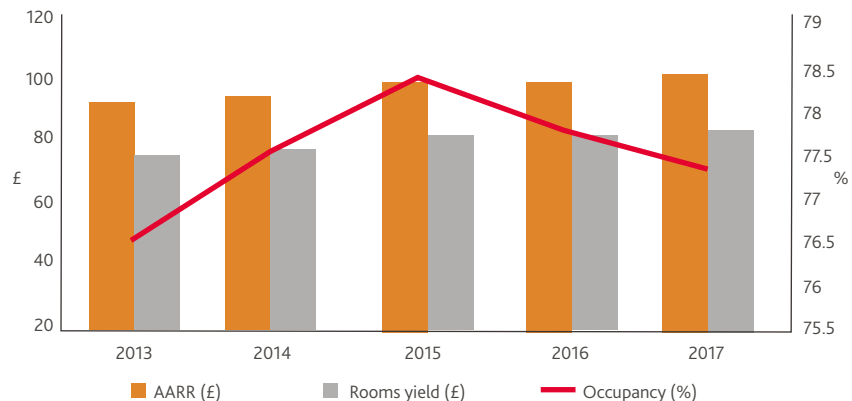


Overall London rooms yield for the quarter was up by 2.3%, thanks to the strong performance in July and August. The capital's hotel market experienced a significant

growth in demand, boosted by the continuous rise in staycations, with RevPAR levels at its highest for August since 2012, when the city hosted the Olympics. Overall, regional rooms

yield, however, was only up by 0.3% to £45.43 due to the mixed results in occupancy and a weak AARR performance.

SUMMARY OF PERFORMANCE, ALL UK HOTELS (2013-2017)



SOURCE: BDO RESEARCH

## TRAVEL

As is common for a number of the subsectors within Consumer Markets, UK travel companies have been at the centre of a number of headwinds and opportunities. Geopolitical issues, terror attacks, rising fuel prices, exchange rate fluctuations and unpredictable weather combine with changing consumer trends as well as the rise of disruptors to create a challenging trading environment for the travel industry in particular. Flybe's recent profit warning on the back of a rise in fuel costs and decline in the value of Sterling contrasts to the recent sale of Cox & Kings school and adventure holidays business PGL for £467m, illustrating the varying fortunes across the UK travel sector.

Against this backdrop, the UK Travel market continues to grow. 2017 saw a record numbers of visitors to the UK and we continue to staycation and travel internationally. We have seen that the travel market in the UK has been a popular sector for investment from the private equity community and the continued rise of disruptors to the traditional tour operator model has driven investment. We also expect to see an increase in

the acquisition interest of domestic tour operators as the trend in staycating continues.

### INBOUND AND DOMESTIC TOURISM

UK inbound tourism has grown consecutively for the last few years at between 4 and 5% per annum with visitor numbers (data from Visit Britain) at 39m in 2017 contributing a spend of almost £25bn to the domestic economy, up 8.7% on 2016. 2018 has shown the impact of the unpredictable weather - the latest data to June from the office of national statistics shows a slight decline in UK visitor numbers; not surprising given the "beast from the east" which brought significant snowfall in March. However, the Association of British Travel Agents (ABTA) reported in October that, presumably boosted by the long summer, 68% of the UK population still took a UK holiday in the 12 months to August 2018. We would expect the trend in staycating to continue especially given the potential currency impact that could result from Brexit.

### OUTBOUND TOURISM

Although the headline on outbound tourism is that in spite of the pressures on consumer confidence, we

continue to travel. On the back of the trend towards spend on 'experiences rather than things', the UK population continue to see holidays as an essential purchase. The latest Mintel report notes that despite the decision to leave the European Union, the travel industry is expected to continue to grow over the next five years.

Outbound tourism grew by 29% from 2012 to 2017 and the latest data from the office of National Statistics shows that during the period April to June 2018, there were 19.9 million visits abroad by UK residents, the same number as in the corresponding period a year earlier, with 1% more spent on these visits.

To stay ahead in the outbound market, operators not only need to have a great product but need to be able to adapt to changes in how we want to book travel. At a time when the high street is struggling there are signs of reinvestment into this sales channel by some in the travel industry. This is seen as way of developing the customer experience and increasing engagement whether it's through virtual reality at a TUI store or having a glass of champagne at a Kuoni store while you browse the brochures. Online and mobile are also

key areas of development. Mintel report that the majority of UK travel sales are made online with 18% of holidays booked on mobile and 15% on tablet. This compares to the retail sector where online sales to date peaked at 18% in Q4 2017 (ONS).

Looking at the UK's top ATOL licence holders, 5 of the top 10 largest UK travel businesses are specialist OTAs. The UK travel consumer has happily adopted technology to buy travel online and now it is important that UK businesses keep up. While we should be proud of the UK's success, it's worth remembering the dominant players are from overseas: Booking Holdings has a market cap of more than \$90bn and together with Expedia and Ctrip will lead the global OTA landscape for years to come.

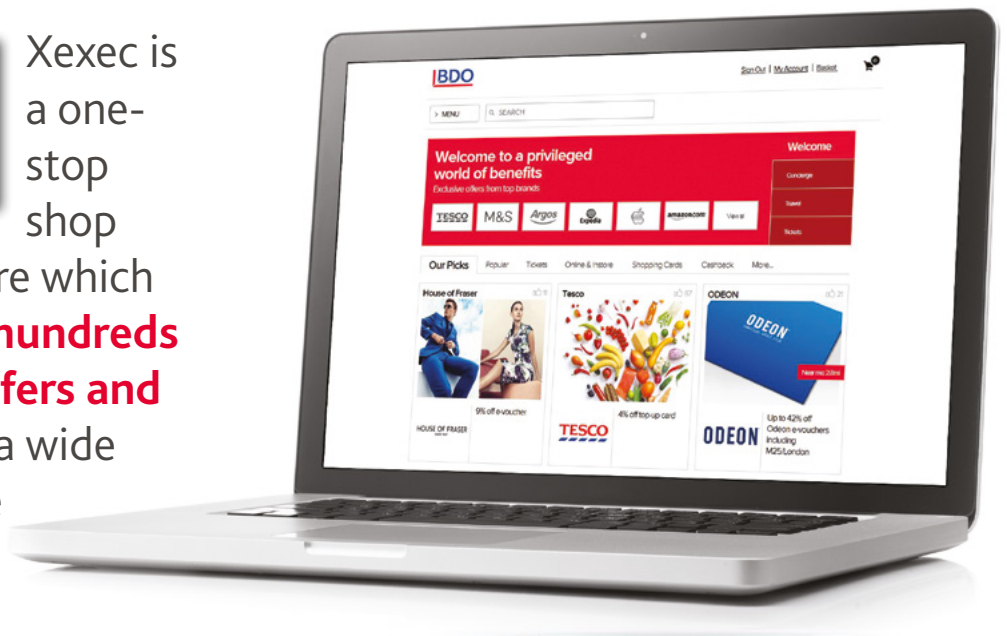
In spite of the uncertainty created by Brexit, we would expect the most successful companies to benefit from our passion for travel and the clear shift that has been seen to 'experiences rather than things'. These operators will beat the competition by offering niche and new experiences and combining this with the integration of fantastic technology that boosts customer engagement and spend.

# BDO ALUMNI PROGRAMME BENEFITS UPDATE



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of discounts, offers and  
benefits** across a wide  
range of lifestyle  
categories



Subscribed members of BDO's alumni programme can now take advantage of the Xexec discount scheme which BDO provides to its current employees. If you didn't receive the email notifying you of this, **get in touch now** to subscribe and start saving!

## Xexec features

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- Cashback
- Travel agency
- 3000+ retail discounts
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- Ticket shop

# HIGH STREET SUFFERING WORST YEAR TO-DATE ON RECORD

By **Sophie Michael**  
National Head of  
Retail & Wholesale



## Worst November in three years as sales slump continues – but online sales rally

For many in retail, 2017 was a litmus test of the ability of businesses to flex their business models to ride the storm of rising costs and changing consumer behaviours. The impact of the falling pound on imports, a rise in employment costs and the continuous investment in technology and the store experience further eroded retailer margins. Retailers would have been hoping for a more favourable climate in 2018, however, as we reflect on a year that was kicked off with snow and freezing temperatures in the first quarter, leading to record low like-for-like sales on the high street, it's clear that the challenges facing the sector only accelerated as the year progressed.

With the exception of January, in 2018, like-for-like sales have underperformed 2017 in every month. This comes off the back of brittle consumer confidence, stagnant real wage growth and economic uncertainty.

As we entered the 'Golden Quarter' which includes high profile shopping events such as Black Friday and Cyber Monday, retailers would have been hoping for high street footfall and

online traffic to increase and kick off the festive season's spending, despite the cost to margins.

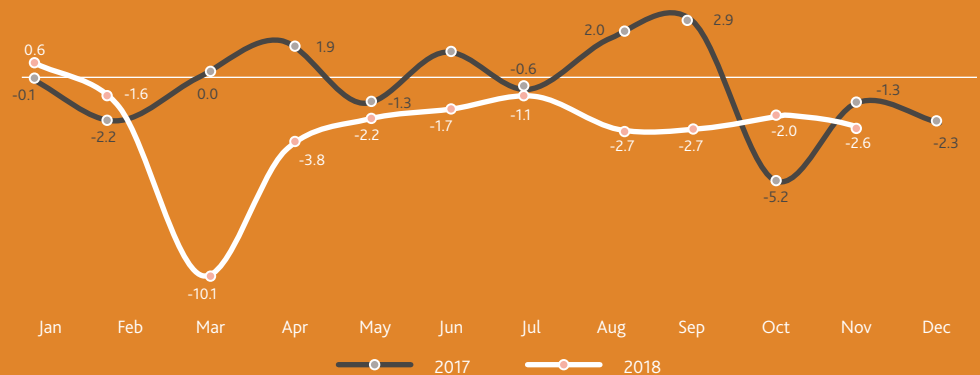
Whilst retailers tried to ring in sales with extended and targeted discounting, Black Friday week provided little respite with in-store sales remaining flat at +0.4%. But there were some positives and online retail had a bumper month. Non-store sales increased +18.2% in November from a solid base of +17.5% in the equivalent month last year. The leap marks the best monthly like-for-like result for non-store sales this year. Black Friday was able to bring about the best weekly non-store performance in 2018

big concerns over the level of returns and the cost of returns to retailers over this festive period.

Changing consumer shopping habits and the

with the flat in-store sales in November. They will be deeply concerned to enter the crucial Christmas trading period off the back of another poor month.

BDO high street sales tracker figures 2018



to date. It also marked the strongest result for a Black Friday week since 2014 (up +30.8% compared to last year). However, there are

contrast between bricks and mortar and online sales will define this festive season and beyond in retail. Retailers will be very disappointed

Looking at Black Friday 2018, we can see two prominent trends; firstly that consumers are holding off spending until the discounting starts



# RESTAURANTS AND BARS

By **Mark Edwards**  
Audit Partner



It is hard to avoid the news that restaurants, particularly in the casual dining sector, are struggling. They face the perfect storm of rising rent and rate costs, increasing employment costs through apprenticeship levy, minimum wage and auto-enrolment, product price increases through exchange rate movements post the Brexit referendum and then also considerable top line pressure as consumer sentiment struggles.

**Y**ou can't open a newspaper, or click on a news homepage without seeing the latest CVA application or hearing updates about previous ones – Jamie's Italian, Prezzo, Carluccios, Byron Burger – the list goes on. In the world of bars we also see continued pressure on late night spend although that isn't universal. Pubs have also seen some challenges in sustaining their top line and margins with the world cup making up for some underlying challenges that are now beginning to show.

The sector has also been under the spotlight recently

given the news surrounding Patisserie Valerie – and we have certainly seen significantly more interest in discussions around control environments than in previous years.

So, what has happened and what does the future look like?

Clearly, there are no straightforward answers to this but broadly we have seen a very significant rise in the number of operators opening over the last 10 years, which has led to over-supply. This in turn leads to greater competition and this has led to one of two

reactions from operators – some who have focused on maintaining margins and so reducing staff, or engineering the menu to derive value for the operator, and others who have focused on the consumer and ensuring a value for money offering, normally focusing on a niche product or market segment.

This is coupled with the perfect storm of costs mentioned above which again leads operators to consider where cash is spent and in some cases creating a capex time bomb, not dissimilar to that experienced in the hotel industry after the 2008 financial crash. If not preserving cash through limiting capex or reducing operating costs, then delivery has been the top line salvation for many operators over the past two years. The industry trackers for top line performance turned flat to negative in April/May 2018 but the delivery figures and the increase in pricing has hidden a wider trend of falling covers which has been prevalent for some years.

At the same time as the above, we have also seen a fundamental shift in the market. While I do not believe we are going to see a trend for more cooking home occasions, no matter what various fresh food

delivery companies might say, we have certainly seen some changes in how people spend their disposable income. With the rise of online shopping there has been a significant decline in footfall in shopping centres and the average high street. This has resulted in various sites which were earmarked for retail operations being converted to food offerings, intensifying competition.

We are also seeing a real change in what people are prepared to spend their money on. There is a fight for each discretionary spend but this is far more finessed than simply retail vs eating out. The well documented desire for experiences among millennials, and others, has meant that a value offering is now more than location, food and drink quality, service and price. There is an interest in authenticity of what is on offer, its providence and back story, with premiumisation and personalisation key.

There is also a real driver for healthy alternatives which is fuelling an increase in vegan and vegetarian meals as well as a lower desire to drink alcohol. 25% of millennials claim to be tee total or have minimal alcoholic intake which is a real change for operators to cater for and one which is not yet well dealt with.

In the pub trade, the wet led operators have been faring slightly better than their food led rivals as they do not need such large investments in kitchen space and it is less competitive for the spend – but this is led by those that focus on the premiumisation trend – craft beer, gins and

### So, what has happened and what does the future look like?

tonics lead the way here. This is tricky to expand significantly however, and so cannot continue forever.

We should also acknowledge the coffee shops and the recent deal to acquire Costa from Whitbread by Coca-Cola demonstrates the belief that this market has further to go. The food offering at the big 4 coffee shops is below average and an opportunity but at what cost? If the current market conditions teach us anything, its that a focus on what you are known for, good at and can exploit will be the key to success.

Without doubt, current trading conditions are tough but with the challenges facing some operators

there are undoubtedly opportunities for others. Success will fall to those who have absolute clarity about what their brand stands for and how to offer the value and experience that consumers require most efficiently. There is some discussion about consumers turning away from brands but I don't believe that to be true – there is simply less loyalty if you don't deliver on your promises and the expectations that are set, and there is a staggering amount of choice so there is a limited captive market.

A successful business over the next 3 years is going to have a focus on its story and heritage and ensure its authenticity, the customer experience, the use of effective technology for the benefit of the customer, health conscious options, premium offerings with personalisation a key driver, and, of course, the execution needs to be efficient and optimised. There might also need to be a little bit of luck...



# A SPORTING CHANCE

**Ian Clayden**, Head of BDO's national Professional Sports and Leisure Group discusses how the sports and active leisure sector is fairing in these challenging times.

“*Unlike the majority of the consumer-facing industries, the sports and active leisure sector is, on the whole, finding current economic conditions favourable. But competition for the consumer's leisure time, and with it a share of their disposable income, remains fierce.*”

**T**he sports and active leisure market is unique in that, whilst at its core are leisure operators providing leisure and spectator experiences, the wider business model is that of a media content provider; retailer; catering and hospitality operator; gaming conduit, and leisure travel attraction. Complex and diverse, whilst still subjected to the normal influences of consumer spending, it is proving to be more robust sector than some other consumer-facing industries.

For the professional sports and active leisure operators, the main competition is less within their own field, and more in competing for the consumer's leisure time. As such, catering for different demographics is important.

Our younger generations are increasingly active at the same time as being 'tuned-

in' to sports via increasingly accessible media channels. This presents opportunities for sports clubs and leisure operators to enhance fan and spectator engagement and is a huge draw for media and commercial partners alike. As gyms and sports clubs become the new pubs for 20-30 year-olds and fitness instructors command up to 7 million on-line followers, commercial opportunities for sports brand led consumer engagement are there for the taking.

The more traditional (mature) consumers however are increasingly pulled between a portfolio of interests including family commitments, mainstream sports, more accessible minority sports, travel, restaurants, bars, retail and the arts, and as a result are less myopic in their commitment to specific sporting events/teams or to their own sports and leisure participation. This demographic is harder to attract and harder to retain but have significant spending power.

Below we take horseracing and football, the two highest attended sports in the UK, as barometers for the wider professional sports sector.

Average horseracing attendances in the 6 months to June 2018 were

up 3% on the equivalent period in 2017. However, the impact of the warmer

**There is clearly still appetite for casual catering as well as...**

weather and a successful Football World Cup was felt over the summer, with average attendances falling 14% in July and 8% in August compared to the equivalent periods in 2017. Unsurprisingly, and perhaps partially as a consequence of the aforementioned World Cup, football attendances have remained buoyant at the start of the 18/19 season. Indeed, as reported in our latest Football Finance Directors Report, falling attendances due to current economic environment is not considered to be one of football FDs' main concerns.

The advantage of having a steady fan base has meant the retail divisions of sports operators have remained in a relatively steady state; the guarantee of numbers through the gates, along with significantly improved on-line offerings, are protecting sports operators' retail businesses from the prevalent stresses in the

wider retail market. Higher on football FDs' radar is the ability to attract and retain sponsorship, and this same pressure can be felt across the wider sports market. Sponsors ("brand partners") are demanding increasingly higher levels of brand activation, data capture and fan engagement, and as such the right brand partners are harder to find and lock-in. However, when they get this right, sports operators are rewarded with increased revenues and brand partner longevity.

Catering and hospitality presents options for leisure operators, as we have seen across various racecourse operators and football clubs.

Individual circumstances are critical of course, but in order to make this work for both the consumer and for the operator's bottom line, one must make the right choice between an appropriate third-party offering and in-house catering. There is clearly still appetite for casual catering as well as corporate entertaining, but factors such as MIFID II, a European Parliament directive on conduct of

business that includes guidelines on hospitality, is thought to be having an adverse impact on high-end hospitality. Taking football as an example, whilst there is a relatively net neutral position when looking at the leagues as a whole, catering and hospitality spend is migrating away from the Premier League towards the Championship and this is expected to continue. These trends are being felt across the sports sector as a whole, with premium events seeming to struggle more than second tier events. There is a very difficult

**...will make sports media content attractive for big data groups...**

balance to be achieved here between meeting the governance expectations of investors and protecting English heritage events.

Media rights are buoyant and we have seen substantial media revenue growth across sports over recent years, with football, cricket and horseracing being obvious reference points. It is a highly competitive market-place, with both terrestrial, digital and online



channels contending for content. In the short term, the demand for data as well as content will make sports media content attractive for big data groups such as Google and Amazon but how this evolves in the medium to long term is less predictable and could ultimately see media rights revenues fall.

The M&A landscape has seen a noticeable shift in focus over the past 18 months towards health and fitness: a growth sector that has become part of our daily lives in the way

**Once the first wave starts we don't expect activity to...**

that casual dining did a couple of decades ago. With investors always looking to find a growth market, a growth brand or service, and a business they can bank on, they've all sat up and taken notice of what Pure Gym have done globally, how brands like Rapha and Sweaty Betty are going from strength to strength, and the continued positive metrics around the space that all

point towards a more health conscious consumer, and a growing, maturing sector.

The UK gym market now has over ten million members, a £5bn+ value, and a 15% penetration rate across the population. Almost 50% of the UK population now use sports supplements, with that sub-sector valued at £50m, 36% of food choices are now deemed to be "healthy", and over three million bicycles were sold last year as the cycling market sees no sign of back-peddling. What investors are trying to do of course is pick the winners, with new brands, gyms, and studios popping up every day. What we're seeing is an increasing volume of potential transactions, but a hesitation to move first and pick the right one. Once the first wave starts we expect activity to accelerate, but as always everyone is looking around to see what others are looking at for validation.

There has been less professional sports M&A activity this year than in previous years but the trend away from wealthy fan ownership to institutional investment (driven by realistic prospects of profitability) continues in the football sector and most recently we have seen increased activity from

US investors replacing the previous tsunami of Chinese investment capital. That said, M&A in professional sports does not stay quiet for long!

“*Fittingly, the sports and active leisure market is not without competition. However, at a time when many consumer-facing industries are struggling, there is cause for optimism. We remain excited about the challenges and opportunities that the sports and active leisure industry faces, and passionate about its socio-economic importance and power as a medium of entertainment, influence and change.*”

# ALUMNI *news* spotlight

NAME	Florence Macfarlane
CURRENT JOB	Finance Director, <a href="#">The Genuine Dining Co.</a>
AT BDO DATES	2010-2014
AT BDO OFFICE	London

**A feeling for the people behind the organisation has driven Florence Macfarlane's big career decisions. As a result, she's now Finance Director at growing contract catering business The Genuine Dining Co, a role she took up at the age of 26.**



Florence was completing her degree in mathematics with business and management at Manchester University when she attended a careers fair. "The people on the BDO stall were so lovely," Florence recalls. "They then held a drinks reception and everyone again was so nice that I thought, I'm going to work for that firm." And so she did, joining the Consumer

Markets audit team in 2010.

Florence loved the sector. "I like things that are more relevant to day-to-day life," she says. "Accounting for hotels and restaurants – it's quite simple and logical. You understand the mechanics of it – cash in, cash out." She worked with interesting clients such as Soho House (with a trip to New York

and Gordon Ramsay Restaurants.

"Even though I was working in audit, I got to do some deal work with some of my clients, so my experience was quite varied," Florence says. "It was stressful, busy, lots of hours – but a good time. I still have a lot of friends from my BDO years. There were a lot of smart people in the same boat. When you go out of

practice, you miss having the hierarchy – having a partner to go and share ideas with. You don't necessarily appreciate that support network until you leave."

However, wanting to help "build" a business from the inside, in 2014 Florence left BDO to become a group reporting analyst at the Shine Group, the TV production company

behind MasterChef. "At the interview I liked the people I met, the feel of the company and what it did," she says. "It was a group role, so I got to oversee everything." Within six months, however, the company was bought by Endemol and the more corporate style of the larger group didn't appeal.

So it was that in 2015 a recruitment consultant introduced her to Chris Mitchell, Managing Director of The Genuine Dining Co. "We had an informal chat and that was that," Florence says. "I got a good feeling for him and what he was doing with the business. I was also terrified. I had never even done management accounts before, but I was becoming FD and managing a team of five people, all older than me."

The role has proved a fulfilling one, with the company serving quality clients such as L'Oréal, Pinewood Studios and the RAC. "When I started the company was a pure contract catering business turning over around £7m," Florence says. "Within three years we have diversified a lot. Contract catering is still our core, but we now have a chain of sushi restaurants, a hotel we look after and a sister brand for events.

We also incorporated a new company that specialises in care home catering." Turnover is now around £24m. The finance team has also grown and been restructured, and Florence's FD role has expanded. She is also now responsible for IT and systems, legal, HR and payroll, and procurement.

Florence admits to getting "fidgety" if she doesn't have new challenges. So it's no surprise that she has launched a company-wide apprenticeship training scheme and helped to found a company charitable foundation. "We also do a lot of work with the Felix Project, which feeds vulnerable people," she says.

No two days are the same. "I do a bit of sales – a bit of everything, which I like," Florence says. She tries to get out on site as much as possible, and to know as many people in the business as she can – although that's become more challenging with headcount having increased from around 170 to over 400.



## WHAT'S THE BIGGEST CHALLENGE YOU FACE IN YOUR ROLE?

"There are always challenges in growing a small business," Florence says. "Cash is always king. And there are a lot of challenges for food businesses especially. There are increases in labour costs. We always want to pay slightly above government rates to have a better calibre of person, but you have to find a way to finance that. In a smaller, low margin business, it's a big challenge. Food costs have also gone up. A lot of the food we source is British, but coffee is traded in dollars and we sell a lot of coffee. So the exchange rate doesn't help. Rents are also hurting. We shut some of our sushi sites because rents are so high. So it's a challenging business – you are juggling so many variables and have to be reactive – and proactive where you can be. But I think we are doing alright – and we are still growing."

## TWO FINAL QUESTIONS

HOW HAS YOUR BDO EXPERIENCE HELPED YOU IN YOUR CAREER?

"It gave me a really good foundation, because I had exposure to a lot of different things during my training," Florence says. "It gave me a lot of skills – in understanding the accounts and interpersonal skills and gave me confidence. I also learnt a lot of positive life skills and work skills. It helped me to develop a strong methodology behind the way I work. You learn a lot of self-management on audits.

I learnt how to manage different projects and different clients and stakeholders, and that's exactly what I do now."

HOW DID IT FEEL TO WIN AN ACORN AWARD IN 2017?

The annual Acorn Awards, organised by The Caterer magazine, celebrate the achievements of 30 bright prospects aged under 30 in the catering sector. "I knew I was nominated, but I didn't think they would give it to someone from the back office, so it was a surprise," Florence says. "And I didn't really realise how big it is within the industry until I went on the team-building weekend they organise." More industry recognition has followed. This year, Florence was runner up in the ACE Robyns Awards, organised by the Association of Catering Excellence, and open to those aged under 35 in contract catering roles. "That was exciting too," she says.

# ALUMNI *news* spotlight

NAME

Andrew Kennard

CURRENT JOB

CEO and Head Chocolatier,  
[Kennard's Artisan Chocolates](#)

AT BDO DATES

1988-1990

AT BDO OFFICE

London



**Andrew Kennard is the owner and CEO of luxury award-winning vegan and kosher chocolates, Kennard's Artisan Chocolates. Andrew is an unlikely chocolatier – an accountant who left a flourishing practice after a life-changing event caused him to reassess his life.**

Andrew first got a taste for the food industry at the age of 14 when he used to help his mother, who was an event caterer but at 18 decided a safer career option was accountancy but to one day

*“...It's caring about the chocolate..”*

return and own his own food business. Whilst continuing to help over the next 30 years with the family business, he began training at Moores Rowland (which merged with BDO), qualifying as a chartered accountant in 1990 and by 1994, had his own practice specialising in high-end fashion.

In 2009, Andrew's eyesight suddenly started to

*“...I developed more flavours - praline,...and chilli and cardamom.”*

deteriorate. By 2010 he had lost his vision in his right eye and had only 15 per cent remaining in his left. It took nine procedures, two operations and seven lots

of laser surgery to regain his vision. He continued to practice as an accountant, providing strategic advice, but the experience inspired him to use his entrepreneurship and ambition to embrace his passion - food.

Establishing his business in 2012, and with his accountancy experience, Andrew was able to build his strategic business plan based

on his philosophy; to make the best chocolates using the finest ingredients.

*"Initially the chocolates were simple truffles but from there I developed more flavours – praline, white chocolate*

*"...The secret to our chocolates is that we use great ingredients."*

*truffle; dark chocolate truffle and salted caramel; honey and thyme, Assam tea, and chilli and cardamom".*

Andrew soon found there was a desire for good quality vegan and kosher artisan chocolates with City clients often asking him to create bespoke flavours for events. *"I was often asked why it was so difficult to make great vegan/kosher chocolates. So I took up the challenge and launched our range in 2016".*

Quality is key for Kennard. *"To me, artisan means taking traditional methods, your love and passion and putting all of that into each product. It's caring about the chocolate. The secret to our chocolates is that we use great ingredients".* His latest flavours took 12 months to develop.

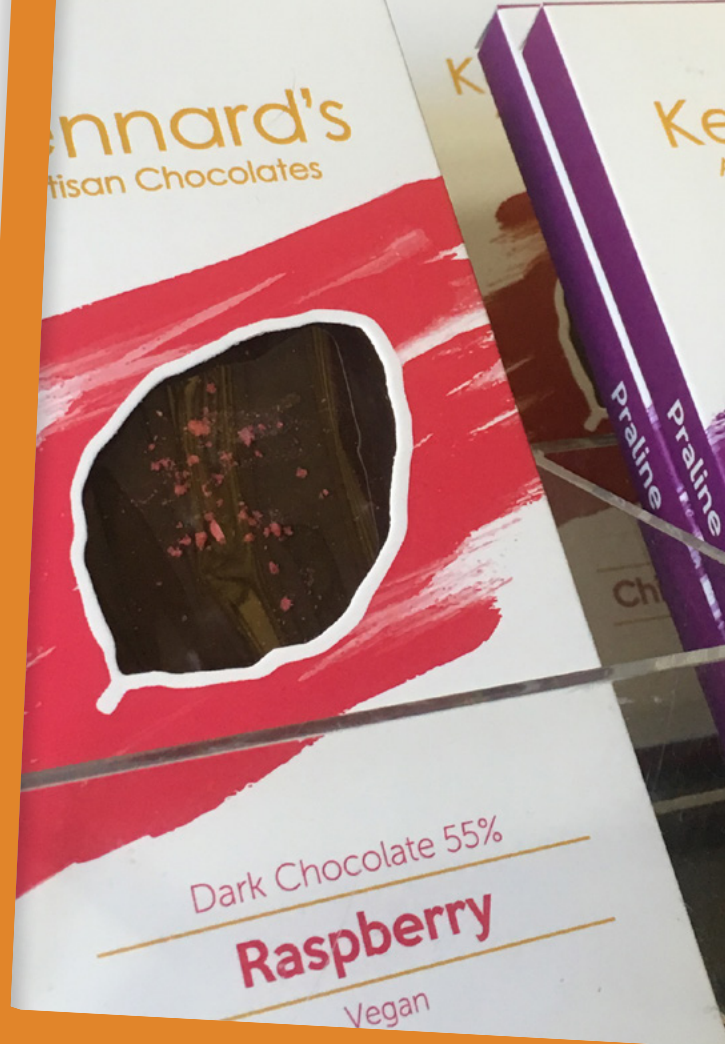
Kennard's chocolates have been accredited with four

international industry awards:

- two Academy of Chocolate awards
- five Great Taste awards, including two for their triple espresso coffee filled chocolate.

With business growing, Andrew moved production to a brand new 1,000 square feet commercial kitchen in Loughton, Essex in October 2017. Kennard's are now pursuing to grow internationally in the Canadian and Israeli markets.

Kennard's is an example of how the drive of small and mid-sized businesses helps them to grow, helping to UK economy to thrive.



In this video, Andrew speaks about his story in more detail and tells us how the new economy affects his business.



<http://neweconomy.bdo.co.uk/kennards-case-study/>

# ALUMNI*news*publications

Visit the [bdo.co.uk](http://bdo.co.uk) for a full list of our publications and thought leadership reports

## MANUFACTURING OUTLOOK Q3 2018



Quarterly update on trends in the UK manufacturing sector and how it performed over the last quarter in collaboration with EEF.

## BIRMINGHAM & SOLIHULL GROWTH BAROMETER



Report announcing the significant success of the leading performers in the region plus research demonstrating that Birmingham and Solihull are booming, particularly in the services sector.

## PRIVATE COMPANY PRICE INDEX (PCPI)



Quarterly report demonstrating that in spite of economic and political uncertainties the M&A market remains on course for another year of deal making.

## MEDIAtalk



Bi-annual report providing an in-depth study of global and domestic M&A activity. This edition shines a spotlight on the media industry in France and explores other trends including agency e-volution and music streaming.

## THE STAFFORDSHIRE GROWTH BAROMETER 2018



Annual report gauging the level of growth and business performance within Staffordshire, announcing the top 50 fastest growing companies within the region. The report also looks at the county's M&A highlights.

## THE TECHNOLOGY IMPERATIVE: DIGITAL DISRUPTION IN THE LEGAL SECTOR



As law firms recognise the transformative potential that new technologies have to offer, our report explores the barriers to investment and looks at the difficult questions the legal sector needs to answer in order to find a way forward.

## MIDLANDS PRIVATE EQUITY GROWTH BAROMETER




Inaugural report which highlights the achievements and opportunities for private equity in the Midlands. As well as sharing views from the BVCA, investors and portfolio companies, publishes the top 50 fastest-growing PE-backed businesses in the region.

## HORIZONS Q4 2018



Quarterly report analysing global mid-market deal activity across a number of major regions and selected sectors around the world. Includes commentary on recent trends and predictions.



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work smartly and  
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**BDO**

# IN OTHER NEWS

## AWARDS & ACHIEVEMENTS

### BDO SCOOPS THREE TOP AWARDS

BDO are proud and delighted to be named "Accountancy Firm of the Year", for a second year running, at this year's [City A.M. Awards](#). The awards recognise and celebrate the business champions who represent London's financial and business community and its most successful individuals and firms.

**Julian Frost**, Audit Partner attended the event with members of his Technology & Media team to collect the award. Julian said: *"What a great honour to pick up this award on behalf of everyone at BDO. We beat some impressive competition to win this award – a tribute to everyone's contribution to our great firm. Congratulations to everyone at BDO!"*

This month also saw our [Private Client](#) team awarded "Accountancy Team of the Year (Large Firm)" at this year's [STEP Private Client Awards](#). Held by STEP, the worldwide professional association for those advising families across generations, the awards are highly regarded as a celebration of excellence across the private client world.

The judges said: *"BDO's entry struck the right balance between a private-client feel and the rigour of an institutional firm – both approachable and technically excellent. Their proactive approach to technology to make their clients' lives easier was widely praised."*



BDO Tax Partner Helen Jones talks to STEP, after receiving the Accountancy Team of the Year (large firm) award at the STEP Private Client Awards International.

We are further delighted that BDO Canada partner, **Cindy Radu**, also won the **"STEP Trusted Adviser of the Year – People's Choice"** award at the event. Cindy was one of five individuals shortlisted for this STEP award. Cindy assists families in transitioning wealth across generations.



The award win follows the global team being ranked once again in the 2018's GIR 100, the annual guide to the world's leading cross-border investigations practices, which is based on extensive independent research.

Forensic Services partner, **Gervase MacGregor** commented: *"We are delighted to have been recognised by GIR as winners of this award. The award recognises the strength and hard work of BDO's team and is testament to our truly international expertise. Congratulations to all of our Forensic Services colleagues across BDO's global network".*



Thirdly, BDO's global [Forensic Services](#) team were proud to receive the **"Investigations Consultancy 2018"** award at the fourth annual [Global Investigations Review Awards](#) (GIR). Investigations specialists from law, consultancy and advisory firms from around the world gathered at the event to celebrate numerous achievements from the world of forensic investigations.



## NEW PARTNER OF THE YEAR

This September, **Dawn Register**, Tax Dispute Resolution partner, was announced as the “**New Partner of the Year**” award at this year’s British Accountancy Awards.

Amongst stiff competition, the nominees were required to put forward a complex submission detailing evidence of professional

conduct and performance, measurable successes, innovation and new ideas and acting as a positive role model embodying the accountancy profession. A tall order!

A partner since 2014, Dawn has developed herself as both an internal consultant for tax disputes and an expert in the external marketplace, for both clients and intermediaries. She deals with some of the most complex and challenging cases of tax evasion and avoidance in the country.

Managing Partner, **Paul England** commented: “*We had a wonderful evening at the awards ceremony. As well as delivering exceptional client work today, Dawn has one eye on the future for BDO’s success tomorrow. She is playing an important role in a firm-wide project to plan for what the tax adviser of the future looks like, and she champions our award-winning “Next Generation” Programme to help develop private wealth professionals early on in their career. Congratulations to Dawn!*”

## QUEEN’S BIRTHDAY HONOURS RECOGNITION

Congratulations are due to BDO’s very own **Satvir Bungar** who was recognised in this year’s Queens Birthday Honours for his services to corporate finance, receiving an MBE.

Satvir joined BDO Birmingham more than a decade ago and has made a significant impact within our M&A advisory business, both

in the Midlands and across the UK.

Having been promoted to Managing Director in 2017, he is currently responsible for the execution of buy and sell-side mandates, as well as for originating transactions. He also serves an influential industry role within the UK Business Services sector as Head of Facilities Management, where he has developed an outstanding reputation for helping to

transform businesses and boost shareholder returns.

Satvir also spends a lot of his personal time working with charitable boards on an informal basis, allowing him to fuse his professional work with his spirituality to make a difference to organisations acting as a sounding board on strategic matters and supporting them to make progress in their pursuits, something he finds immensely rewarding.

Commenting on his award, Satvir said: “*Receiving an MBE for services to corporate finance is a tremendous honour for which I am incredibly proud. My role as an M&A advisory specialist is a collaborative discipline which brings together many stakeholders, and I believe this accolade is testament to the teamwork of all those I have had the pleasure of working with on various projects over the last 20 years.*”

*This honor also proves that hard work can get recognised regardless of background – an ethos which I am proud to say we live by at BDO.”*

# THE NEW FACE OF HMRC: BEHIND THE TANGLED WEB

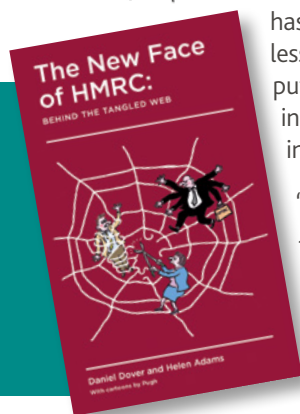
Our Tax Dispute Resolution team is again helping taxpayers understand the complexities of tax investigations and resolve disputes with HMRC with BDO Partner, **Daniel Dover** co-writing a new book with tax specialist, **Helen Adams** – “The New Face of HMRC: Behind the Tangled Web”.

Since the last edition of this perennial guide, the tax world has changed almost beyond recognition. The leak of the so-called Panama Papers in 2016, and of the Paradise Papers a year later, revealed to an incredulous general public the extent to which some privileged individuals and corporations accessed tucked-away trust and bank accounts. The result is increasing pressure on HMRC to raise revenue and to prosecute a great number of tax evaders. Government has given HMRC stronger, less ambiguous legislation, putting the onus on the individual to prove their innocence.

*well as the information that it receives... Whatever you do, don't go anywhere near the taxman's web without decent intelligence” and expert advice.*

*The New Face of HMRC: Behind the Tangled Web* will guide you through the pit falls of a tax investigation. With humour and a light-touch approach, it will help you avoid the hairy clutches and ferocious fangs of the HMRC investigators. Peppared with practical advice and Pugh's humorous cartoons, this is a strong antidote to the poison of the taxman's pursuit.

The book launched in September at a reception held at BDO's Baker Street offices at which attendees, including many of the firm's alumni, were also treated to an exhibition of a selection of the cartoons used within the book, which have been collected by Daniel.



We have a number of copies of *The New Face of HMRC: Behind the Tangled Web* to giveaway to alumni. To request your copy please contact [alumni.officer@bdo.co.uk](mailto:alumni.officer@bdo.co.uk). If you miss out on a free copy, the book is available to buy on Amazon and other good retailers.

*“A tax investigation, we suggest, has become akin to a spider's search for food. HMRC spins a web out of a new legislation enacted by the government, as*

# BDO GUERNSEY BECOMES INDEPENDENT MEMBER OF THE BDO GLOBAL NETWORK

Our BDO Guernsey office has now become an independent firm within the global BDO organisations in its own right following a management buyout of the business by the Guernsey firm's board of directors.

The company, which employs over 80 people on the island, has a Guernsey heritage which extends back over 120 years when English accountancy firm GN Read, Son & Cocke established its Guernsey branch. The business has been part of the BDO international network since the early 1990s and merged with BDO LLP in the UK in 2012.

**Richard Searle**, Managing Director of BDO Guernsey, said the change represented an exciting point in the firm's growth story: "As part of the UK firm, and as a member of the global BDO organisation, BDO in Guernsey has seen tremendous growth over the last six years, both in our client portfolio and our employee base. Today, Guernsey is experiencing change across the private and

*public sectors as well as to the island's wider position in global markets.*

*Our UK and Guernsey leadership teams have agreed that now is the right time to reinstate a management decision-making model in Guernsey, which can directly*

*apply BDO's future interests to local current trends and developments - and we are really looking forward to doing that.*

*The BDO experience will remain consistent and focused on delivering exceptional service to all of our clients in Guernsey, wherever they are located. The leadership team here in Guernsey will progress our next phase of growth through focused local expertise and autonomy, combined with the strength of our global*

*organisation to take our business forward."*

BDO's EMEA region CEO **Trond-Morten Lindberg** said: "I'm glad to see BDO Guernsey taking this step. BDO's global strategy is founded on the collective strengths of our firms and what we can achieve together, pooling our expert knowledge for the benefit of our clients. This approach relies on being able to provide specialist local market understanding that can fuel international growth."





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\* [meridianwest.co.uk/mmm2017bdo](http://meridianwest.co.uk/mmm2017bdo)

**BDO**



# FIVE WAYS INVESTING IN YOUR FINANCE DIRECTOR WILL HELP CREATE VALUE

By Paul Morris, Head of Growth Advisory

Is the role of a finance director (FD) simply to manage the finance of the business? Do they just count the cash and manage the payroll? In my experience, all too often that is exactly what entrepreneurs think.

Of course, a critical part of the FD's role is to implement good controls in the business and to manage both profits and cash. But if your FD's remit is limited to just that, you are missing an opportunity.

The right FD will create value, not just protect it. If your business invests in an experienced and skilled FD, it will reap enormous benefits. Here are just a few examples how shareholder value will be created by the right FD:

## **ROBUST AND ACCURATE FORECASTING**

Accurate and complete historic information is important but not the whole story. The right FD will be able to prepare and monitor detailed profit and cash forecasts on a monthly basis for up to three years. In addition, they should develop a set of key performance indicators covering sales as well as finance.

These forecasts and KPIs will be essential for the management team to make the right business decisions in areas such as recruitment and investment in systems.

## CUSTOMER PROFITABILITY

A common challenge for businesses is the ability to calculate the “real” profitability of an individual customer relationship. A top FD will ensure the whole business knows the levels of profitability not only at a gross but net level.

The business will understand the true profitability of a relationship having taken account of allocated costs for support and administration. Arming the sales team with this information will help in pricing discussions with customers.

## BROADER IMPACT ON THE BUSINESS

An experienced FD will be able to take on broader business responsibilities. Typically, these could include compliance, HR, systems and legal. The FD will not be a subject matter expert in these areas, but can take decisions after receiving guidance from third parties. So in a way you will get several executives for the price of one!

## FUND RAISING

At some point your business may decide to raise finance via a bank or private equity firm. The preparation for a fund-raise and the successful

management of the process will be food and drink to an experienced FD.

Bankers and investors understand the value of a good FD. Their appetite to lend or invest will be enhanced when a strong FD is running a smooth process. Your business will be more likely to strike the right deal and get better terms as a result.

## ACQUISITIONS

Any growth strategy that includes acquisitions requires an effective FD managing the process. The acquisition process has many elements from identifying and meeting targets through to negotiating the deal and raising the finance. Having an FD who can lead the acquisition process frees up the management team to focus on driving the organic growth strategy.

I have made the case for ambitious growing businesses recruiting an experienced and talented FD. The decision will deliver value across the business. It is an investment that will deliver massive returns rather than an additional cost!



# A round up of regional alumni events and activity – previous and upcoming events and initiatives

Since the last edition of **ALUMNInews** there have been a number of alumni events held across the BDO network:

## JUNE

The **London Tax Group (LTG)** held their second alumni drinks reception at The Harcourt, London last June. **Paul Ayres**, LTG partner commented: *"A great night catching up with former colleagues and friends from our alumni community. We will definitely be doing it again so watch out for next year's invite!"*

## SEPTEMBER

Our Corporate Finance team held their sixth annual national alumni drinks reception at BAR Soho, London on 12th September. The same night also saw our Real Estate & Construction (REC) team hold their second annual alumni reception in London at The Driver. BDO's audit partner, **Ed Goodworth** said of the event: *"It was great to get together members of the REC team past and present to share experiences, thoughts on the sector and reminisce a little bit too".*

## NOVEMBER

In addition to these events, November saw our Bristol office held their first alumni event on 1st November and the team are already looking forward to hosting future events next year. Our Leeds office also held their annual alumni drinks at the Banyan Bar & Kitchen on the 15th November. Both events were a great success with former employees catching up with current team members over a few informal drinks.





## DON'T MISS OUT!

Make sure you're the first to hear about any upcoming alumni events by signing up to our [Alumni Programme](#) and ensuring we have the correct details for you. Have you changed jobs? Have you moved? If so, please let us know and we'll update your details accordingly.





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