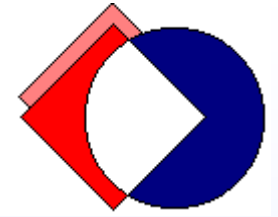


A UK EXPERIENCE

(Developing value-added services)

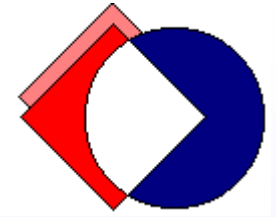
Presentation to the
ACRA Public Accountants Conference 2010
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Derek Smith

Foulger Underwood Associates Limited



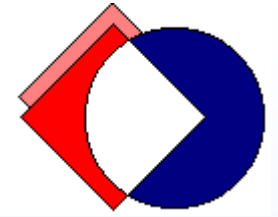
Good Morning

Agenda

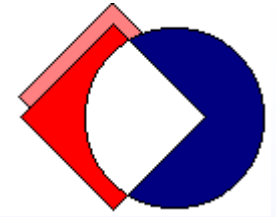


- Introduction
- The UK market and professional service firms
 - Some key changes
 - Current issues
 - The complexities
 - The benefits
 - The challenges
 - Current trends
- How we can help

Introduction



- Who I am
- What I do
- Why I am here



The UK market

Some key changes (over the last 20 years!)

Size of service providers

Nature of service providers

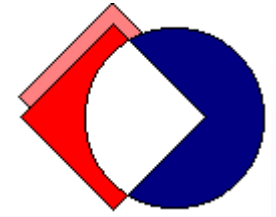
Expectations of clients

Nature of services provided

Legislation

Regulation

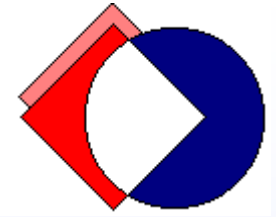
Litigation



The UK market

Some key changes (over the last 20 years!)

Size of service providers



The UK market

Some key changes (over the last 20 years!)

Size of service providers

Until 1989 – the big 8

Arthur Andersen

Arthur Young & Co

Coopers & Lybrand

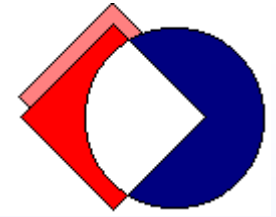
Ernst & Whinney

Deloitte Haskins & Sells

Peat Marwick

Price Waterhouse

Touche Ross



The UK market

Some key changes (over the last 20 years!)

Size of service providers

1989 -1998 – the big 6

Arthur Andersen

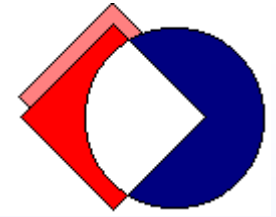
Coopers & Lybrand

Ernst & Young

Peat Marwick

Price Waterhouse

Deloitte & Touche



The UK market

Some key changes (over the last 20 years!)

Size of service providers

1998 -2001 – the big 5

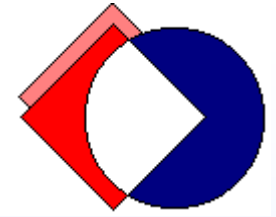
Arthur Andersen

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The UK market

Some key changes (over the last 20 years!)

Size of service providers

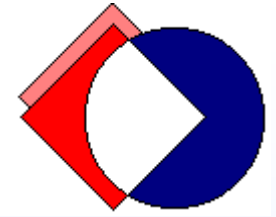
Since 2002 – the big 4

Ernst & Young

Peat Marwick

Pricewaterhouse Coopers

Deloitte & Touche



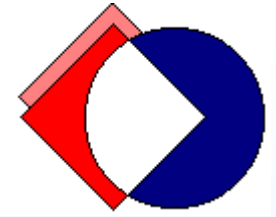
The UK market

Some key changes (over the last 20 years!)

Size of service providers

Since 2002 – the big 4

Year	Top 60 firms	Big 4 firms	Firms 5 - 60	Big 4 share
	<u>£ billion</u>	<u>£ billion</u>	<u>£ billion</u>	<u>% ge</u>
2003	6.201	4.449	1.752	72
2010	9.922	7.226	2.696	73



The UK market

Some key changes (over the last 20 years!)

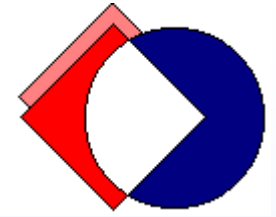
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2010	9.922	7.226	2.696	73

Number 4 (E & Y) is £1.383 billion; number 5 is £0.378 billion.

Top 100 listed audits are big 4 clients

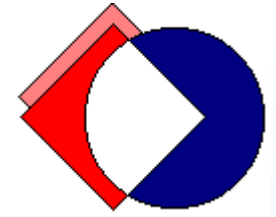


The UK market

Some key changes (over the last 20 years!)

Size of service providers

<u>Partners</u>	<u>1995</u>	<u>2005</u>	<u>2010</u>
51 plus	14	19	15
21 - 50	36	32	42
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1	14,707	12,432	6,826

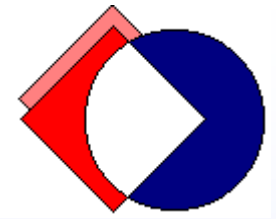


The UK market

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The UK market

Some key changes (over the last 20 years!)

Size of service providers – **WHY??**

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1	14,707	12,432	6,826

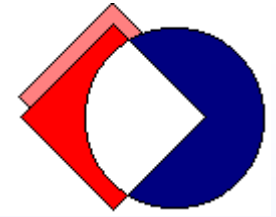
SURVIVAL IS NOT COMPULSORY

IT IS A TOUGH COMPETITIVE ENVIRONMENT

AUDIT DIMINISHES and COMPLIANCE COSTS LESS

CLIENTS EXPECT MORE

STAFF HARDER TO HIRE AND KEEP



The UK market

Some key changes (over the last 20 years!)

Nature of service providers

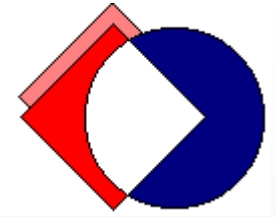
Partnerships

National and international networks or entities

LLPs

Corporates

Consolidators



The UK market

Some key changes (over the last 20 years!)

Nature of service providers

Partnerships

National and international networks or entities

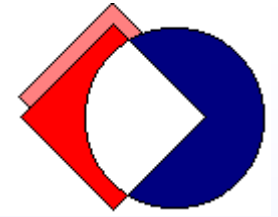
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GRADUATE ENTRY LEVEL

The consolidators



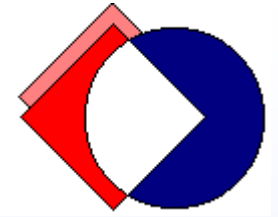
- What are they?

Acquirers of practices

External shareholders/ownership

Normally publicly listed

The consolidators



- Who are they?

H & R Block

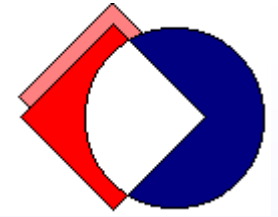
Amex

Tenon

Numerica

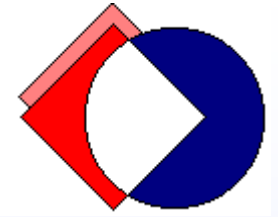
Vantis

The consolidators



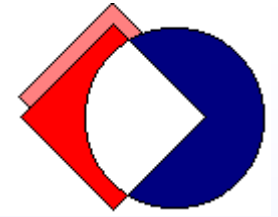
- Why are they?
 - Low value compliance and scale
 - Distribution channel
 - Big is better
 - Greater scope for investment

The consolidators



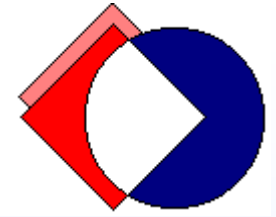
- Do they work?
 - H & R Block - yes
 - Amex - no
 - Tenon - maybe
 - Numerica - no
 - Vantis - no

The consolidators



- Do they work? WHY NOT?

The consolidators



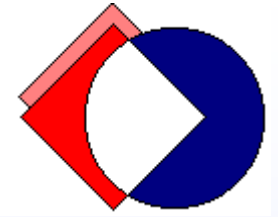
- Do they work? WHY NOT?

Pay too much

Buy the fiercely independent

Buy out the oldest and the best and
employ the less able or the young able
who gain little

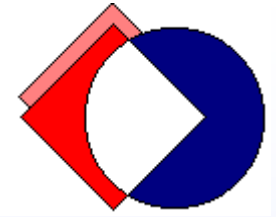
Benefit to client?



The UK market

Some key changes (over the last 20 years!)

Expectations of clients

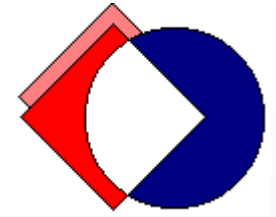


The UK market

Some key changes (over the last 20 years!)

Expectations of clients

- More for less
- Certainty on price and on outcome
- Broader range of knowledge
- Exceptional service delivery



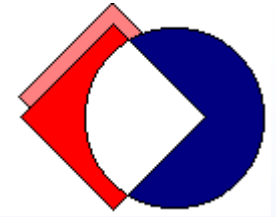
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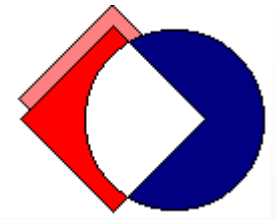
BUT THEY SHOW LESS LOYALTY?



The UK market

Some key changes (over the last 20 years!)

Nature of services provided



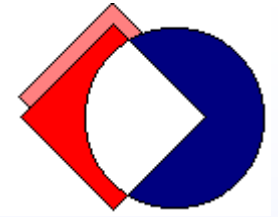
The UK market

Some key changes (over the last 20 years!)

Nature of services provided

- AUDIT requirement has changed – increased exemption, increased pressure on fees, audit and consultancy segregation
- COMPLIANCE SERVICES – fee pressure, low cost unqualified providers, outsourcing
- NEW SERVICES - multi-service norm, taxation, corporate finance, insolvency, consultancy, financial services, management information and accounts, HR services, IT services, actuarial services, specialist industry boutiques

The UK market



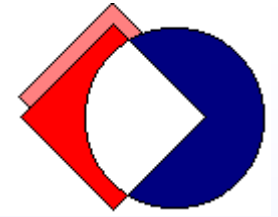
Some key changes (over the last 20 years!)

Legislation

Regulation

Litigation

The UK market



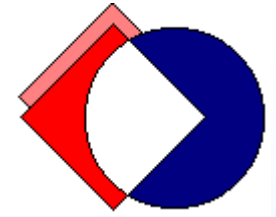
Some key changes (over the last 20 years!)

Legislation

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**EVER INCREASING, INCREASINGLY INTERNATIONAL!
INCREASINGLY “RULE” BASED
STRONG AMERICAN and EUROPEAN INFLUENCES**



The UK market

Some key changes (over the last 20 years!)

Size of service providers

Nature of service providers

Expectations of clients

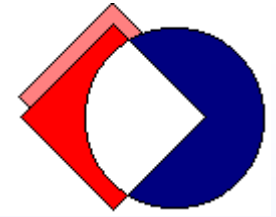
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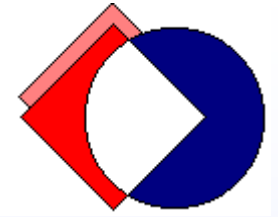
Regulation

Litigation

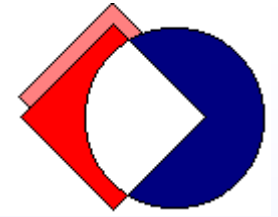
Agenda



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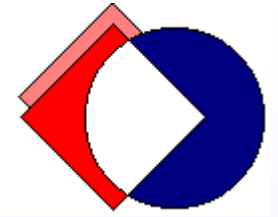


UK market - complexities



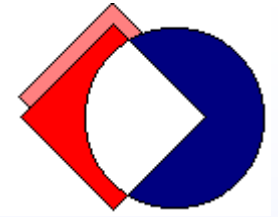
UK market - complexities

- **Partners are owners and managers**



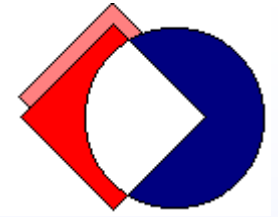
UK market - complexities

- **Partners are owners and managers**
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UK market - complexities

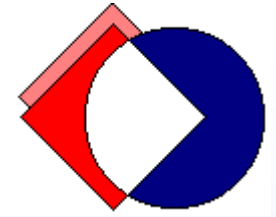
- **Partners are owners and managers**
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- **Client service is paramount**



UK market - complexities

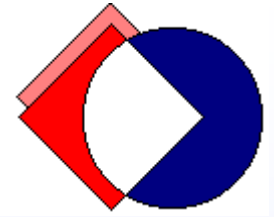
- **Partners are owners and managers**
- **Partners do client work in all roles**
- **Client service is paramount**
- **Annual profit distribution / lockstep**

Agenda



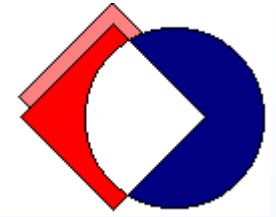
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UK market – current trends



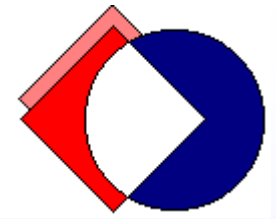
- International expansion
 - acquisition/merger
 - networks
 - quality and standards
- Increasing scale
 - economies of scale
 - new products and services
 - standardisation
- People
 - different demands
 - development and reward

UK market – current trends



- Winning business
 - a key skill
 - more competitive – most firms look the same
 - cross-selling
- Leadership
 - more demanding with scale
 - greater emphasis on training, development, coaching and mentoring
- Sole practitioners facing uncertain future

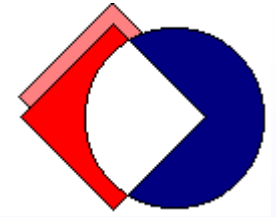
UK market – current trends



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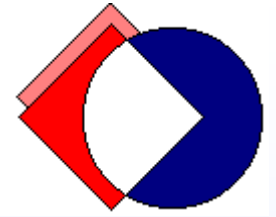
In the UK, USA – north and south, Canada, mainland Europe, Australia, New Zealand, India, China!!

UK market – current trends



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 - In the UK, USA – north and south, Canada, mainland Europe, Australia, New Zealand, India, China!! SINGAPORE?

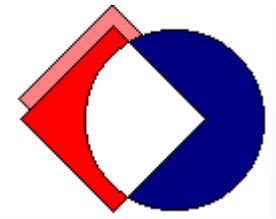
UK market – current trends



Sole practitioners facing uncertain future?

WHY?

UK market – current trends



Sole practitioners facing uncertain future?

WHY?

Inherent vulnerability

Challenges of:

Standards

Specialisation

Succession

Staff

Legislation

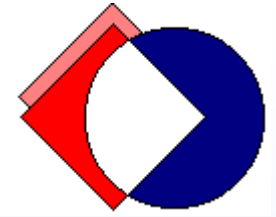
Regulation

Client attraction

Client retention

Audit independence

Audit rotation

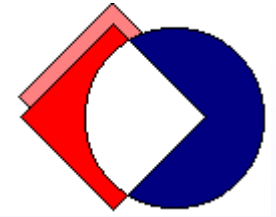


The UK market

Some key changes (over the last 20 years!)

Size of service providers

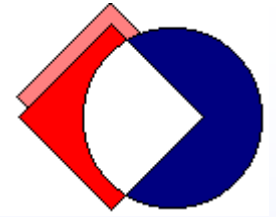
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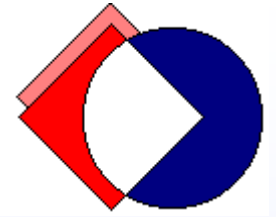
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How we can help



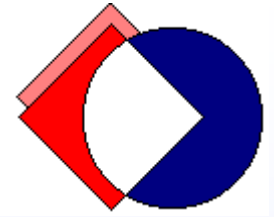
- We can help you to prepare to merge, sell or buy by:
 - Assessing your current position
 - Undertaking a SWOT analysis
 - Helping you to develop a strategy
 - Assist with the training and development of you and your team
 - Profit improvement; capital value realisation

How we can help



- We can help you to merge, sell or buy by:
 - Acting as an independent broker
 - Acting as a catalyst for matching buyers and sellers or merger partners
 - Controlling and assisting you through the process
 - Helping you to reach mutually satisfactory contractual terms, to overcome negotiation difficulties and to make it happen

Finally, we are:



- Open for business now
- Opening an office in Singapore from 1 September 2010
- Contactable as follows:

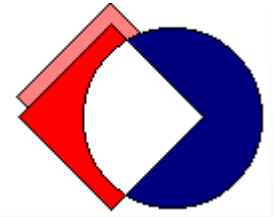
Tim Underwood tim@foulgerunderwood.com

Keith Underwood keith@foulgerunderwood.com

Derek Smith derek@foulgerunderwood.com

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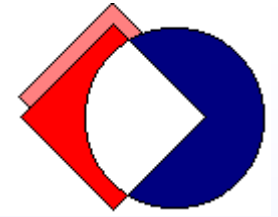
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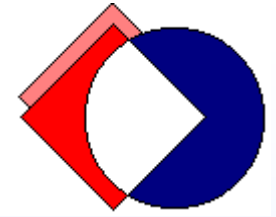
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LOOKING FORWARD TO WORKING WITH YOU!



THANK YOU



A UK EXPERIENCE

(Developing value-added services)

Presentation to the
ACRA Public Accountants Conference 2010
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Derek Smith

Foulger Underwood Associates Limited