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Experts dismiss manufactured optimism

BUSINESS RECOVERY
Kevin Reed

Business recovery professionals would have raised eyebrows over the latest figures looking at UK manufacturing sentiment, released by the CBI.

The latest quarterly figures reveal that the proportion of manufacturers expecting to increase output over the next three months is at its highest since February 2005.

Despite the latest positive figures, recovery experts have constantly targeted manufacturing as a key area that will require their turnaround services and, they see no reason to change their opinion.

PKF head of business recovery Philip Long is insistent that manufacturers are struggling in the UK.

'We're seeing more and more [manufacturers] struggling, what with the economy being in a trough for such a long time,' says Long.

Long says he has witnessed many manufacturers forced to sell plant and machinery abroad to India and China, and that situation sums up the future of manufacturing for all three countries.

The CBI also advises caution for the long term, with growth focused mainly on the intermediate goods sector, which covers components, parts and building materials.

FOR MORE ON BUSINESS RECOVERY SEE ACCOUNTANCYAGE.COM/CATEGORIES

Advisers benefit from AIM fundraising drive

CORPORATE FINANCE
Nicholas Neveling

Advisers are taking advantage of the growing trend for private equity and specialty property funds to raise money via an AIM listing instead of pursuing a private fundraising.

Philip Secrett, capital markets partner at Grant Thornton, says that, so far this year, almost half the new money raised on AIM came from these vehicles, helping the junior market raise more than £30bn in funds since it was formed in 1995.

'What we are currently seeing is the participation of AIM in a broader European trend for private equity and property funds raising permanent capital through public markets,' says Secrett.

Funds raised by private equity and property vehicles accounted for 46% of the £4.9bn raised on AIM so far this year and Secrett expects the trend to continue as the alternative exchange makes it easier to raise capital.

'Not only does AIM offer a flexible and liquid environment but also the opportunity of a quicker fundraising process as compared to the creation of a private fund,' Secrett says.

The accelerated rate of listings of these stocks has also generated a steady stream of accounting-related work for accounting firms.

Tom Troubridge, head of the London capital markets group at PricewaterhouseCoopers, says the work is not as lucrative as the listing of a standard company but still requires accounting expertise.

'The listing of a property fund is not as expensive as a standard float, but there is work to be done on working capital and ensuring that the fund has accounting and reporting systems that are suitable for a public company,' Troubridge says.

The tax benefits on AIM makes shares in speciality funds particularly attractive for individual investors, he adds, who previously were unable to invest in private equity vehicles.

'These listings signal a move of private equity and property funds into the mainstream. There has always been the perception that these investments were the preserve of high net worth individuals and hedge funds,' Troubridge says. 'A listing on AIM opens up these opportunities to retail investors.'

Private equity funds in the City are turning to AIM

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IT systems overlook £900m VAT

TAX
Our parliamentary correspondent

The technology woes of Whitehall computer systems just never seem to end. This time it's the collectors of VAT in the firing lining from the Commons public accounts committee, which has lashed the taxman's systems for overlooking £900m worth of VAT debts.

In a report the chief financial watchdog for the Commons said that debt collection for the tax stood at £2.6bn – a 24% improvement on 2002's figure of £2.06bn.

The all-party group of MPs paid tribute to VAT collectors remarking that officers at HM Revenue & Customs 'believes that this increase is partly due to their success in combating missing trader fraud'.

But the report then turned on those it had praised. 'The department has failed to resolve the significant difference between its VAT mainframe accounting system and its trader register, which meant £900m of debt was not reflected on the debt case management system and therefore not under active management.'

VAT receipts top £125bn a year, with much of it being collected on time. Large chunks of it however, fall into arrears. 'In June 2003 we noted a rapid rise in VAT debt levels and the need to reverse this trend. Since 2002, the Department has re-engineered the structures, systems and training for VAT debt management with the aim of promoting consistent, effective debt collection practices,' said the report.

But it added: 'Reported debt, which includes recoverable debt and debt which the department is unable to collect, continues to rise.'

Still some way to go then, for the HMRC and its IT systems.

MPs praise turned to criticism

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IT FITS THE NICHE PERFECTLY

IT's the route to salvation for small practices. That may sound mischievous to some, others will dismiss the statement outright.

But there are examples of firms looking to use technology as the key tool in enabling them to drive differentiation from other practices and help grow revenues in their specific niche – which most practitioners believe is the model the profession will move towards at the smaller end of the scale.

The key to IT for practices is similar to that for big business – data integration, getting sales and marketing systems working alongside key business information. Practices also need real-time access to client data.

There are ways and means of achieving this. Sage and Iris are expanding their range of products. The former is attempting to build its suite of software up from the bottom, so it all works together – an issue that has been a bone of contention for practitioners for a long while.

Another option for advisers is to examine what's on offer from Twinfield and Netsuite, which are based upon 'on demand' technology. No hardware procurement required, no big license fees or complex setups – it's all run through the internet.

Andrew Norton, managing partner at The Norton Practice, has chosen the on demand option to enable his firm, which concentrates on helping US companies establish themselves in Europe, push more focused marketing campaigns, based on having greater access to client data.

'We're growing fast, need our functions tied together. Basic work in progress software doesn't give us everything we need,' Norton says.

Norton's firm is not alone. Those looking to stay ahead of the game and move on from dinosaur practices will be exactly the type of firm to use IT to help them go forward.

Kevin Reed is technology correspondent for Accountancy Age