
UHY

# global

ISSUE 1

## WE ARE SAILING
WINNING WAYS OF OCEAN RACE PARTNERS

**BASE MOTIVES**
The great BEPS debate

**DRIVING THE FUTURE**
The automotive story

**FAR FRONTIERS**
Pros and cons of cross border trading

The network for doing business

## IN THIS ISSUE



Front cover image courtesy of Rick Tomlinson, Volvo Ocean Race.

# WORD OF WELCOME

It gives me great pleasure to introduce this first edition of *UHY Global*, our new twice-yearly publication for businesses worldwide. As a leading mid-tier global network of auditing, accounting, tax and consulting firms, we understand the choices and challenges you face in a fast-moving and competitive world full of opportunities and risks. Through *UHY Global* we want to share a little of the diversity, the thinking and the difference that a global team can make.

I have always been fascinated by the perception that financial management is about the mathematics. I prefer to think that it is about understanding the purpose and operation of business and the regulatory and social frameworks in which it exists. These vary enormously from country to country despite the reassurance of international standards, so that expansion into new jurisdictions requires a strong blend of local and global know-how.

In this issue of *UHY Global* we dip into the challenges of internationalisation and also take a look at one of its problems: base erosion profit shifting, or BEPS for short. By the time you read this the Organisation for Economic Co-operation and Development (OECD) will be another step or two closer to a resolution but don't expect the debate on corporate ethics to become any less fierce.

Also inside, we examine the automotive sector and the challenges faced by supply chains as a result of globalisation in the manufacturing base; and we hear from UHY's mining industry group on some of the issues currently faced by mineral exploration and extraction companies around the world.

Whatever your market, the job of every UHY member firm is to be there for you when you need us, locally and internationally. Whether you are an ambitious entrepreneur, midmarket business, larger multinational or a listed company, we can offer you an expert and refreshing alternative to the Big Four. I hope you enjoy reading this issue of *UHY Global* and perhaps take away some thoughts for the future.

**Ladislav Hornan**
**Chairman, UHY International**

# MAKING WAVES

At UHY we are proud to be associated with some of the world's most incredible businesses – all of them bring their own stories and our member firm teams take enormous pride and pleasure in building relationships with their clients that go far beyond any initial brief.

From time to time exceptional assignments come our way and the opportunity to advise the sponsors of the world's biggest offshore race – and the longest sporting event in the world – was one of these.

The Volvo Ocean Race (known first as the Whitbread Round the World Race) is sponsored by MUSTO, the world's largest offshore sailing brand. When they decided to set up pop-up shops selling official merchandise in ten of the 11 ports the race visited, it was UHY Hacker Young, London, UK, who they turned to for help. Led by director David Cohen, the team researched and managed every aspect of trading in each country stop-off and brought in further expertise from UHY member firms in Spain, South Africa, UAE, China, New Zealand, USA, Portugal, Sweden, Brazil and France.

As the seven teams taking part in the gruelling race hurtled through their daily dramas, the Volvo Ocean Race (VOR) logistics manager, Dan Vermont and his team kept pace on dry land by ensuring that two fully functioning stores arrived at each port ready to sell merchandise to Race fans from across the world.

"We were MUSTO's brand ambassadors and everything had to run like clockwork," says Dan. "We made minor cultural adjustments along the way such as introducing smaller sizes at our China stop but our bestsellers were always caps and t-shirts. Sales achieved were above early predictions and revenue from the pop-ups amounted to 22% of MUSTO's total income from their involvement in the Race. It was hard work but absolutely worth it."

"A personal highlight for me was being invited out on the Alvimedica boat. What an experience – they'll turn me into a sailor yet," says Dan. "Packing up the stores for the last time was emotional but I wouldn't have missed this adventure for anything."

### THE RACE – A CROW'S NEST VIEW

- The nine month VOR took in 11 ports and 38,739 nautical miles
- For the first time in the Race's 42 year history every team sailed the same model of boat – a new 65-foot one-design boat, the Volvo Ocean 65
- The VOR started in Alicante, Spain on 4 October 2014 and ended in Gothenburg, Sweden on 27 June 2015
- The seven teams included 19 nationalities, an all-female crew, VOR veterans and first-time rookies. Sailors came from China, UK, France, USA, Spain, Australia, Belgium, Denmark, Ireland, Italy, Lithuania, The Netherlands, New Zealand, Sweden, Switzerland, UAE, Argentina, Brazil and Antigua.

Ian Walker, skipper of the winning Abu Dhabi team explains their success –

"I'd sailed with half this crew before. I wanted to have people who I could trust and who could work with me.

"Things will always go wrong at some point so you need a crew that will stand together. If I had to describe our campaign in three words I would say – organised, experienced and clinical."

Ian Walker

> "The buzz of being the first UK skipper to win this race – wow, this has to be one of my greatest moments."

Supporting UHY Hacker Young, UK on this global assignment were member firms: UHY Moreira – Auditores, Brazil; Zhonghua CPAs LLP, China; UHY GVA, France; UHY Haines Norton (Auckland) Ltd, New Zealand; UHY & Associates SROC Lda, Portugal; UHY Hellman (SA), South Africa; UHY Fay & Co, Spain; Revisorerna Syd, Sweden; UHY Saxena, United Arab Emirates; UHY Advisors NY Inc, US.

MUSTO will also sponsor the next Volvo Ocean Race which launches in 2017. Visit **volvooceanrace.com** and **musto.com** for details. The UHY Capability Statement 2016 contains a full case study of MUSTO's experience of working with UHY member firms. Available to download from **www.uhy.com**

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Photos courtesy of Matt Knighton, Volvo Ocean Race.

# THE LONG AND WINDING ROAD

Despite years of planning by the OECD/G20, opinion remains divided on the likely efficacy, and practicality, of the anti-base erosion and profit shifting (BEPS) project. *UHY Global* highlights some of the challenges still ahead in the quest for greater transparency in international tax planning as well as the key implications for the global business community and emerging nations.

As the Organisation for Economic Co-operation and Development (OECD) and the G20 bring the anti-BEPS action plan to fruition, questions remain. The rationale is clear: the world economy has been characterised by a shift from country-specific businesses to global enterprises operating both over the internet and at locations remote from where their physical customers are buying goods and services. This has presented opportunities for complex profit repatriation structures – reducing the tax burden in other words – and has fuelled concerns of unfair and unethical practice.

BEPS refers specifically to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity. This practice is of particular significance for developing countries due to their heavy reliance on corporate income tax, particularly from multinational enterprises. So a set of measures designed to enable governments to close the loopholes seems to be a desirable outcome.

### UNILATERAL CHALLENGE

However, the anti-BEPS measures delivered by the OECD project with the goal of creating international standards for appropriate tax distribution, are already in danger of being undermined by unilateral and potentially conflicting tax laws passed in haste for political or other reasons.

In the UK, the government, while supporting the BEPS project, has chosen to implement what is being called a 'Google Tax', a 25% diverted profits levy on sales generated in the UK but accounted for elsewhere. Some observers accused the UK government of political expediency and points-scoring ahead of the 2015 general election. There has been significant public opposition to corporations like Google, Amazon and Starbucks who were perceived to be tax avoiders. Lobbyists, anti-austerity and anti-capitalist protestors demanded a response. Other European and non-European jurisdictions are considering similar implementations.

The BEPS project is in itself a sizeable undertaking, but some believe that a wider effort is required to increase corporate transparency and reduce non-compliance with tax laws. In June 2015, the European Commission (EC) presented its own action plan (including initiatives to tackle tax avoidance). The EC says its plan will fundamentally reform corporate taxation in the EU, prompting the observation from OECD secretary-general Angel Gurria that "a globalised economy needs single global standards". Clearly those single standards will not be easy to find.

Christian Kaeser, chair of the commission on taxation at the International Chamber of Commerce (ICC) says countries should wait and act in accordance with the outcome of the BEPS project. By doing so, they will not disrupt the OECD's aim to design one common approach and they will not create new conflicting international tax rules. "This also reflects the reality that the OECD is reluctant to address: the underlying concern that countries create their own regimes to attract economic activity (in other words, base erode other countries) which multinationals then utilise in their structuring," he says. The ICC anticipates that some multinationals will restructure as countries move towards implementation of the BEPS measures. →

> "Many multinationals are only now waking up to this even being an issue. They will face difficult decisions and hard management choices."

### MULTINATIONAL RESTRUCTURING

Joe Harpaz, head of the Onesource corporate market for the tax and accounting business at Thomson Reuters, believes that many multinationals have work to do before they would be in a position to change the way they account for revenue. "Many multinationals are only now waking up to this even being an issue," he says. "They will face difficult decisions and hard management choices." Many will consider whether the cost of defending existing structures from a BEPS-based challenge will negate the tax benefit.

One giant which has made the change is Amazon, much vilified in the UK and elsewhere for what was seen as large scale tax avoidance. Amazon opened a London office within its Luxembourg headquarters, specifically to account for UK sales and to pay UK tax and will do the same for other European jurisdictions. Cynics suggest this was a move to pre-empt the 25% 'Google Tax' but the real motive may be more complex, since Amazon faces other tax and location pressures unique to its business. The local 3% value-added tax (VAT) on sales of e-books which made Luxembourg an attractive home base, was raised in May 2015 to 17%.

### TRANSPARENCY AND ENFORCEMENT

According to Joe Harpaz, what makes BEPS so interesting is that it is simultaneously global in scope and localised from an enforcement perspective. "While the OECD does have a clear-cut agenda to close loopholes in the global web of over 3000 bilateral tax treaties, actual enforcement of these guidelines will be left up to individual countries. The US has voiced concerns about the amount of detail US companies would need to report to foreign authorities under BEPS, so while there is broad, general support for the idea of transparency, the devil will be in the detail."

Bas Pijnaker, tax partner, Govers Accountants/Consultants, Netherlands, agrees that the US is under some pressure from the project. "As it stands, profits that are not remitted into the US are not taxed there but once remitted they will be taxed. The problem for the US is that if multinationals such as Google or Apple pay tax in other countries, the US gets less when the profits are remitted to the US, which explains why it has been reluctant to throw its full weight behind BEPS."

Jonathan Schwarz, barrister at Temple Tax Chambers in London who focuses on international tax disputes as counsel and advises on solving cross-border tax problems, agrees that the potential for double taxation will be increased as a result. "The combination of many more permanent establishments with companies away from home countries, together with heightened attention to transfer pricing worldwide, will provoke more conflict between tax authorities seeking to tax international profits," he says. "Companies will need to be well prepared."

Clive Gawthorpe, partner, UHY Hacker Young, Manchester, UK, and chair of UHY's tax special interest group believes that a fundamental problem that will determine the success or otherwise of the OECD's efforts is access to information.

> “Many developing nations lack the human resources to interpret the data and challenge transfer pricing calculations.”

“Country by country reporting is key to determining exactly where profits are made,” he says. “The next step is challenging transfer pricing calculations and for me this is the biggest issue.”

The Tax Justice Network conducts high-level research, analysis and advocacy on international tax, the role of tax in society and the impacts of tax evasion, tax avoidance and tax havens. Access to information is precisely their concern too. Senior analyst Markus Meinzer says, “Action 11 of the BEPS plan requires the establishment of methodologies to collect and analyse data on BEPS – and the actions to address it – but there is insufficient data available to understand the economic consequences of base erosion and profit shifting. Country by country reporting will not be made available for researchers or the public.”

## ECONOMIC COLONIALISM

Another significant factor in the BEPS debate is the support the measures may provide for emerging nations. From the outset there was a fear that the more comfortably off member countries of the OECD would be the primary beneficiaries while developing countries would struggle to achieve the equality of tax revenue distribution they are entitled to. The OECD has engaged extensively with over 80 developing and non-OECD/non-G20 countries and claims that their needs and differences have been integrated into the measures. However, not everyone is convinced.

Global Financial Integrity (GFI) is a not-for-profit research and advocacy organisation located in Washington D.C. in the US. Liz Confalone, policy counsel at GFI, is concerned that the smallest countries, which have the most to gain, have the least influence on the project. “We need to make sure the system also works for all developing countries,” she says.

Some observers have asked whether it is ethical to shift profits made in emerging economies to low tax jurisdictions in Europe, so potentially depriving poorer countries of much needed revenues.

Liz argues that the real question is should it be legal? “Recent coverage regarding the tax dodging of multinationals makes it abundantly clear to us, as well as the public, that the answer to that question is no. Companies engaging in profit shifting pay less tax and so their cost of doing business is less. This distorts markets, creates an uneven playing field and, ultimately, suppresses economic growth, especially in low income countries.”

Markus Meinzer, from the Tax Justice Network, says, “It is neither ethical nor legitimate to shift profits from any country where a multinational operates, especially after taking advantage of its customers, natural resources, human resources and infrastructure. If this depriving of revenues affects developing countries which need them the most, it is economic colonialism in the 21st century.”

## THE CHALLENGE REMAINS

Perhaps the last word should go to Clive Gawthorpe at UHY, who takes a pragmatic view of the difficulties posed for emerging nations under the OECD plan. “Politicians have used the ethical argument to gain public support for the BEPS project. However, many developing nations lack the human resources to interpret the data and challenge transfer pricing calculations – and some of these countries don’t even tax profits this way as they use a withholding tax method. There will be more permanent establishments in emerging economies which should lead to more tax being due locally, but the challenge of collecting this tax remains.”■

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# BIGGER, CLOSER AND SMARTER

**An upturn in the market, new technologies and globalisation have conspired to put challenging new pressures on the automotive supply chain. We look at some of the impacts and options for Tier 1 and Tier 2 suppliers as they try to keep up.**

The first automobile was arguably Nicolas-Joseph Cugnot's self-propelled steam powered tricycle, built in 1769. Or perhaps it was Karl Benz's petrol-powered automobile in 1886. But there is no doubt that it was Henry Ford who brought cars to the masses with Tin Lizzie, the Ford Model T in 1908. Since then the rise of vehicle ownership has hardly abated.

Despite the more recent pain of global recession, vehicle purchases in North America in 2015 have jumped to their highest level in more than a decade and surveys are suggesting that annualised volumes are set to climb further – above 17 million units – the highest level since 2001. Similar activity can be observed in most global markets with sales trending higher. Only double digit fall-offs in Russia and Brazil mid-2015 have slowed an otherwise buoyant global sector.

Whether this is set to last or not is debatable – Citi Research estimates that the global automotive market may only experience something like 4% compound annual growth to 2020 – but analysts agree that some of the industry's most important new applications and products, such as advanced driving assistance systems or lightweight carbon fibre materials could grow at upwards of 20% a year (see Plasan case study on page 11).

Automotive was one of the first truly global industries, so those in the supply chain are accustomed to following manufacturers as they continue to grow global footprints. Suppliers also have to ensure compliance with new and increasingly demanding standards and regulations while at the same time meeting demand from manufacturers and their customers for cheaper, more efficient components and modules.

In Europe alone, around five million people are directly and indirectly employed in the automotive supply chain, and suppliers are playing a leading role in motor industry research and innovation. Paul Schockmel, CEO of the European Association of Automotive Suppliers, says, "Some EUR 38 billion are invested in the European automotive industry each year, of which more than half comes from suppliers, and this trend is increasing."

## COST AND CONSOLIDATION

But despite its strategic, commercial and logistical importance, the supply chain is under pressure. "A number of cost-cutting programmes have been initiated by OEMs (original equipment manufacturers) and as a result, the supply chain is under constant cost pressure," says Paul Schockmel. "At the same time, advances in technology such as hybrid vehicles – powered by a combination of electric and internal combustion engines – and autonomous or self-driving vehicles, are creating opportunities and challenges of their own." The drive from consumers for better, cleaner, cheaper vehicles is pushing cost pressure throughout the supply chain.

As a result, the automotive supply chain is restructuring to adapt to these changes and the consolidation evident in the sector now is expected to continue and even accelerate. Larger suppliers are better placed to face increasingly complex technology requirements – the level of investment required is extremely demanding for smaller suppliers. Vehicle manufacturer business volumes are increasingly concentrated within the top 100 Tier 1 suppliers.

> "A number of cost-cutting programmes have been initiated by OEMs and as a result, the supply chain is under constant cost pressure."

A striking example of this is VDL Nedcar, who independently manufacture Minis on behalf of BMW. Paul Mencke is liaison partner at Govers Accountants/Consultants, UHY's member firm in the Netherlands, and participates in UHY's Automotive special interest group. Paul says, "The automotive industry is known for its early adoption of new approaches, in technology as well as in logistics and costs. Cooperation is complex, the stakes and standards are high and commitments cover long periods of time."

Strategic partnerships are becoming increasingly important, particularly in specialist areas such as vehicle connectivity where the technology evolves so rapidly. OEMs direct their supply chain through value sourcing programmes that focus on key performance indicators like quality, logistics, technology and costs.

## LOCATION, LOCATION, LOCATION

As manufacturing intensity increases, fuelled by innovation, technology and consumer demand, vehicle manufacturers want more than ever to see their Tier 1 suppliers operating locally. Ideally, automobile companies want their suppliers to operate in every jurisdiction in which they have a manufacturing presence. For suppliers the decision to move closer is not so straightforward, despite there often being government or local agency incentives to do so, such as tax breaks or financial support for R&D activity.

Suppliers must carefully evaluate the business case for each location and all that it might entail – financing, workforce relocation or recruitment, the rules and regulations of a new jurisdiction, maintaining client production output quotas and quality, optimising production lines during transition, closing down one facility and ramping up the other, and so on. Not least, this will have an impact downstream too, on the supplier's supply chain.

Paul Schockmel says, "Effective financial planning is essential for suppliers establishing operations in new locations. However, they cannot be expected to have a complete understanding of the business environment in every jurisdiction, which is where accounting and consulting firms have an important role to play."

Thomas Alongi is a partner at UHY LLP in the US, and head of the global automotive special interest group at UHY. "The extent to which OEMs are directing their suppliers to 'build where we sell' is one of the key issues facing automotive equipment suppliers," he says. "This drive to be a global supplier creates a considerable amount of pressure and has contributed to significant consolidation of the supply base. OEMs will continue to shrink their key supply base to mitigate risk into the forseeable future."

But manufacturing around the world is difficult for smaller suppliers who do not have the capital to expand into global markets, so selling to larger strategic suppliers or private equity is a growing option. Tom says, "Strategic buyers are continuing to expand their global presence through acquisition. UHY LLP's corporate finance team is currently working with a number of clients who are in a sale process with larger strategic and private equity buyers. A full service firm can not only maximise the sale price, but also make sure that the shareholders obtain the highest after tax proceeds, which really matters the most to them."

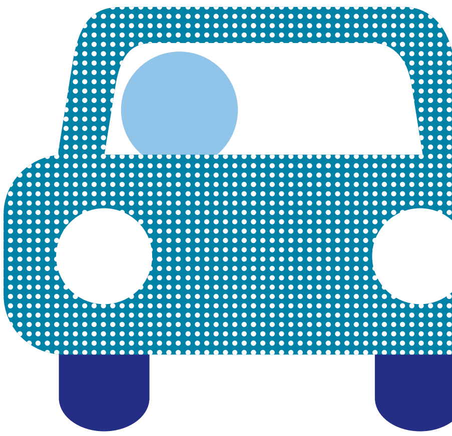
In a strategic advisory capacity, Tom undertakes assessments of the automotive supply base to determine how businesses can adapt to industry changes like these. Some viable options may include:

- Securing finance to fund expansion
- Helping to devise innovative joint venture agreements
- Execute a sale mandate to accelerate growth
- Implementing operational improvement accountability systems
- Understanding what the true costs of a programme are, as well as the return on investment.

## SIGNIFICANT RISK

A consolidated supply chain with decreasing diversity comes at a cost. According to the 2015 Allianz Risk Barometer, insurers are beginning to see the potential for sizeable claims in the automotive sector, with the supply chain identified as the top business risk. These fears are fuelled by recent events such as the defect in airbag inflators manufactured by Takata Corporation which has affected around 34 million vehicles – the largest recall in automotive history. →

"Effective financial planning is essential for suppliers establishing operations in new locations."



"These are the high costs companies have to pay if there are supply chain failures," says Tom. "The complexity of a global chain poses huge risks, as this recall clearly shows. Procurement teams must trace all the affected products and address quality control." Similar problems are likely to repeat if manufacturers continue to use long and complex supply chains and short development cycles. But it is not just a quality control issue.

A survey published in the UK in March 2015 by business standards company BSI and the Business Continuity Institute found that 53% of automotive supply chains were exposed to elevated, high or severe risk of natural disaster. Indeed, the sector suffered heavily from the 2011 Japanese tsunami because of a global reliance on a single manufacturer of a particular pigment essential for metallic paint finishes. As a result of the disruption, production in the factory was halted for three months before normal operations resumed, causing long lasting effects across the automotive marketplace.

## WORKING SMARTER

Another area of concern for supply chain management is the availability of skilled labour. With the average age of those employed in the automotive supply industry worldwide at around 50 years old, at a time when new technologies and new processes are driving manufacturing and product development, keeping skills current and attracting new talent into the sector is a challenge.

Thomas Alongi says, "Shifts in technology have implications for suppliers. The trend for fewer vehicle components and more technology has been ongoing for a number of years. We are also seeing an increased use of lightweight materials such as carbon fibre and aluminium which have had an effect on the production process and the skills needed to produce components. All this puts pressure on the need for an increasing qualified technical workforce."

"What we are seeing with some of the major OEMs is reducing the product cycle, so whereas each model might previously have been on the market for between five and seven years, there might now be a major redesign every three to four years," says Tom. Keeping supply chain clients informed of developments like these that affect their business is part of his remit. "It's essential that they can determine how to react to changes in vehicle volumes and product lifecycles," he says.

The industry has come a long way since Henry Ford made the automobile affordable, but it was one of the first truly global industries and continues to be so today. Competition between countries to design and manufacture better, cleaner, cheaper vehicles to serve existing and emerging markets is as fierce as ever, while technological advances are now propelling the industry into new domains of product and production. Supply chains are keeping pace with the change, albeit with significant challenges along the way, and the future looks set to be a bumpy ride for some time to come. ■

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## SUPPLY CHAIN STANDARDS

Paul Mencke, of Govers, has some tips for manufacturers to ensure a safer, more robust automotive supply chain.

"The relationship between OEM manufacturers and suppliers has changed. In the past a single manufacturer would try to manage multiple suppliers and we now have single suppliers supporting multiple manufacturers. Manufacturers can reduce the pressure on product line quality control by working closely with suppliers to understand their internal processes and gain cast iron guarantees that components meet the required standards."

Paul's second tip is to use data gathered during the process to compare sites or suppliers, to increase supply chain efficiency and quality. "Manufacturers can also use software and diagnostic tools to shed light on areas for improvement."

Thirdly, says Paul, paper reports and the word of suppliers that parts meet OEM standards are no longer enough to guarantee a robust product. "It is vital that there is transparency in supplier operations, so manufacturers can understand every detail of what is going on within the process, and the appropriate testing is conducted and monitored."

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# DRIVING FORWARDS

Technology advances, fierce competition and demand volatility have meant challenging times for the automotive industry. Sector specialists from UHY member firms are able to provide advice and develop practical solutions to help automotive companies survive and thrive.

Plasan Carbon Composites Inc. (www.plasancarbon.com) in Michigan, US, manufactures lightweight carbon fibre body panels and components for mid-volume production cars such as the world-famous Chevrolet Corvette Stingray and Dodge Viper, with output capacity capable of supplying up to 50,000 vehicles per annum.

A privately held company with over 500 employees, Plasan's pioneering capabilities in engineering, manufacturing and R&D have led to numerous industry awards for quality, supplier excellence and innovation.

Industry watchers expect the automotive carbon fibre industry to expand at a double-digit growth rate in the next few years, and Plasan is well placed to benefit. However, despite five years of company growth, not everything has gone to plan. When one manufacturer's sales fell short of forecast, it had a knock-on effect through the supply chain. For Plasan, it meant having a facility that could not sustain its profitability because it was built to produce more inventory on a daily basis than the market currently demanded.

## CHALLENGE

It became clear that consolidation was the only option. Plasan's president, Jim Staargaard, says, "We needed to save money, but knew there were many factors to consider including the magnitude of a potential move, pre-negotiated production agreements with our Tier 1 automotive manufacturer, and the staff employed at the current facility."

Having previously been introduced to Steven McCarty, partner at UHY LLP, Sterling Heights, Michigan, US, Jim had been impressed with his knowledge of the manufacturing sector and understanding of Plasan's business – "To close the plant, we needed expert help," says Jim.

## SOLUTION

To meet the challenge Steven McCarty put together an experienced team led by Cynthia Hannafey of UHY Advisors in Atlanta. The team included specialists in project management, relocation, logistics, human resources (HR) management, manufacturing and shipping. It was agreed to consolidate operations with an existing facility in another state, and to mitigate potential risks the UHY client team developed solid project plans for both the shipping plant and the receiving plant.

HR issues included severance planning, relocation set-up and state regulatory management. Logistically this plan covered inventory building, shutdown procedures, technical vendor management, factory dismantling and transportation. For the receiving plant in Michigan, plans were drawn up for construction, production cell readiness, new employee training, IT, finance and most importantly, a production part approval process (PPAP) – the industry's production quality assurance standard for clients.

Jim says, "It was a new experience for us with some difficult decisions to make. We couldn't just plan the move, we had to plan for the people too. What to do, and when." Communication was key. The HR plan included information on severance for those not relocating, bonus plans, retraining assistance, and help with job searches.

## RESULT

Despite many challenges, the move was completed quickly and effectively. The shutdown was announced in February and production ceased in May. By August the new facility was already producing test runs.

By combining facilities and working with UHY LLP in Michigan and UHY Advisors in Atlanta, Plasan was able to save over USD 3m per year and achieve profitability. The value was not lost on Plasan's clients: one manufacturer, Fiat Chrysler Automobiles (FCA), had marked Plasan as a high risk supplier but reduced them to zero risk halfway through the move. Dan Drayton, risk management FCA Group, says, "My experience with both UHY LLP and Plasan was very positive. Relocation and consolidation were executed flawlessly."

"We helped more than 90% of staff find new jobs within three months of the facility closing," says Jim. "Right up to the day of announcement we didn't know how it would play out with them, they appreciated the clarity we gave.

"Steven's team was terrific, experienced people who gave us so much confidence. We enjoyed working with them and it definitely made a tough job a little easier."

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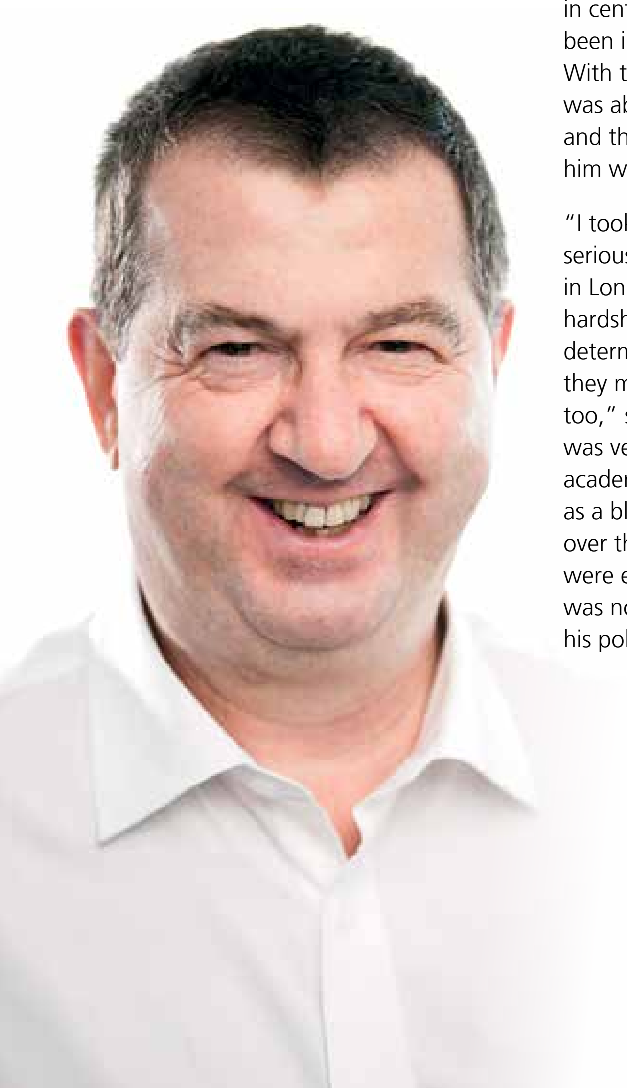
# TALE OF TWO CITIES

The first of our regular profile pieces introducing significant people in our industry, describes the remarkable vision and ambition of Ladislav Hornan as he completes his second term as chairman of UHY International.



In 1968 Ladislav arrived in the UK to spend a brief time with relatives. The Beatles' *Hey Jude* was on the radio, Mary Quant shaped the fashion world and *Planet of the Apes* was filling cinema seats. It was an exciting time to be holidaying in London.

The teenager from Czechoslovakia's visit to the UK was the third part of a trip that had already taken him to Paris and Grenoble. "I was a young man and I was ready to make the most of this experience," he says.

One night towards the end of his stay in London, Ladislav was shocked by a TV news bulletin showing a military tank standing outside his family home in central Prague. Czechoslovakia had been invaded by the Soviet Union. With the help of the BBC, Ladislav was able to speak to his parents and the only advice they could give him was not to return home.

"I took my mother and father's wishes seriously. I was undoubtedly safer in London and I never suffered any hardship here. I respected my parents' determination to stay in Prague, though they made sure both my sisters got out too," says Ladislav. "Sadly my father was very stricken. He lost his job as an academic in the 50s and was sent to work as a blacksmith but he never quite got over the upheaval. Many of his friends were executed or imprisoned but he was not considered senior enough in his political party so his life was saved.

"This experience made me determined to succeed," he says. "I, like many Czechs in London, was given refugee status and I got on with finding work."

Initially Ladislav found work as a filing clerk in East London – "I travelled across the city every day to the East End of London where the culture was very different to where I was staying. I learned so much – not least that shepherd's pie and steak and kidney pies were always on the menu and I did not like them!"

At home in Prague Ladislav had studied Economics for Foreign Trade so that he could learn about business, but his real dream was to become a pilot. Serving ten years in the Czech Republic's air force to gain a licence was not an acceptable route for Ladislav so he applied to train in the UK but was rejected because he was not a British national.

"It was time to rethink my future," says Ladislav, "I declined an offer to train as a chartered accountant because, despite the prestige, the money was poor and the training was long."

"This experience made me determined to succeed. I, like many Czechs in London, was given refugee status and I got on with finding work."

> "My work centres around people and finding the best way to help them."

Ladislav moved to a small rented home in Leyton, East London, with his new wife and got a job in the finance department of the BBC. After just a few months I asked about promotion but I was told I would have to stay for at least two years, before that became an option so I was off.

"I started training as a certified accountant. It was a long route but I stuck with it and as soon as I got the qualification I knew this was my passport to success," he says.

In 1974 Ladislav joined Hacker Young, still studying for the ACCA qualification and in 1978 he became a fully qualified certified accountant.

Ladislav found a niche in insolvency work early in his career and he remains a passionate practitioner today. "It's a world where everything changes rapidly. My work centres around people and finding the best way to help them handle seemingly impossible situations – it's never a bean-counting exercise, one always has to take the wider view."

It's this wider view that saw Ladislav catapulted into some of the most famous cases of the day – when boxer Michael Watson collapsed during a fight with Chris Eubank he was left with brain and spinal damage. Watson sued the British Boxing Board of Control (BBBoC) and it left the organisation very vulnerable. Ladislav managed to arrange a company voluntary arrangement between Watson and the BBBoC which paid the former fighter over several years. Hacker Young recognised Ladislav's huge potential. Shortly after he graduated as a certified accountant they created a separate entity called Hacker Young & Partners where Ladislav was made a partner. When regulations relaxed, the two entities consolidated and became UHY Hacker Young.

Over the next few years the insolvency work that Ladislav brought in to the business more than justified Hacker Young's decision to make him an equity partner and though he received other lucrative offers from Big Four firms he decided to stay where he was – "I am not a risk taker," he says, "following my appointment to the Executive Committee at Hacker Young, I was able to make changes to the way the firm thought about itself as time went on. I have never regretted staying here. It was the right decision for me."

Hacker Young owes so much to Stuart Young whose vision in the mid-eighties for a new and more expansive culture for the firm helped to attract major clients such as the stockbrokers, Smith Brothers, who eventually became Rothschild Group. Their business was growing and they wanted to open up in New York – Hacker Young's senior partners realised that they needed to create an international network to meet client needs. "We needed to have international capabilities and that is exactly what happened. We teamed up with the US firm, Urbach Kahn & Werlin. That was the start of our international network, UHY (Urbach Hacker Young)," says Ladislav.

"We are now a credible alternative to the Big Four. We are growing faster than we ever have and the personal service we offer across the network is a great asset. Of course, I would like to see UHY considerably bigger than it is and I think we can achieve that by encouraging our member firms to grow in their own market place."

Ladislav remains Managing Partner of UHY Hacker Young, London and is completing his second term as Chairman of UHY International. Looking back on his involvement in the UHY network and more than 40 years with the same firm he acknowledges that there have been many highlights and challenges but says, "I hope I have made a very positive contribution. I loved being Chair of UHY International twice. I hope I made a difference by encouraging growth, giving personal direction and emphasising the importance of building really strong global relationships for the benefit of our clients."

Although he has lived in London since he arrived here as a tourist in the summer of 1968, Ladislav stays close to the city he was born in. In 2005 he was awarded the 'Gratias Agit' by the Czech government for his numerous activities including many years' involvement in the English College in Prague and later he founded the Czech British Chamber of Commerce in London.

"I am happy," says Ladislav. "I was a refugee yes, but I have always just done my best to make a positive difference. I am proud of my achievements but they do not stop here. I have a young family and lots of interests both inside and outside of work. I consider myself a very lucky man." ■

Ladislav Hornan's second term as chairman of UHY International concludes on 31 October 2015 but he remains a UHY International Board Director and managing partner, UHY Hacker Young, London, UK. **l.hornan@uhy-uk.com**

# GIANT STEPS FOR ASEAN

## Two significant milestones for ten member countries of the Association of Southeast Asian Nations (ASEAN) will provide a major step forward for economic development in the region.

The ASEAN integration of accountancy services is expected to broaden expertise among member countries following the signing by all ten of a mutual recognition arrangement (MRA). The agreement means the qualifications of professionals will be recognised by signatory member countries, facilitating easier movement of providers in the region.

Adrian CS Villadolid, Client Relations Executive at UHY ML Aguirre & Co, CPAs, Philippines, says, "ASEAN accredited accountants can now practise in any ASEAN country in a category they are qualified in. ASEAN integration will broaden accounting expertise among member countries and hasten economic development in the region. It should also achieve more robust competition among practising professionals and encourage firms to build strategic regional alliances."

The labour and employment secretary of the Philippines, Rosalinda Dimapilis-Baldoz, said the agreement represents "a significant boost for a country that produces around 8,000 certified public accountants every year."

A bigger milestone is the official launch of the ASEAN Economic Community (AEC) on 31 December 2015 after eight years' planning. AEC's goals are to achieve a single market and production base in a highly competitive economic region, achieving equitable economic development that is fully integrated into the global economy.

However, challenges remain. Oh Yoon Ah, head of the Southeast Asia and Oceania team at the Korea Institute for International Economic Policy, observes that making substantial progress in service liberalisation requires harmonisation of regulatory frameworks in member states. "Although AEC is the most important event that has happened to ASEAN economies in recent years, business awareness remains extremely low," she says. "Governments and partner countries need to engage businesses for better awareness and preparedness and the private sector needs to actively solicit information."

ASEAN integration is a cooperative movement within the ASEAN community composed of Indonesia, Malaysia, Thailand, Singapore, Philippines, Vietnam, Cambodia, Myanmar (formerly Burma), Laos and Brunei.

# RED TAPE VS RISK

## Passed into law in 2015 for accounting periods starting 1 January 2016 or later, the new EU accounting directive gives EU member states the option of increasing the thresholds of businesses not required to file full, audited financial statements.

While its proponents say the EU Accounting Directive represents a reduction in the financial reporting burden for small companies – 'less red tape' – there are concerns that it may damage the audit profession and restrict access to funding for small businesses.

The regulations reduce the number of compulsory disclosures small companies must make and also allow a small company to prepare an abridged balance sheet and profit and loss account, if approved by all the company's shareholders.

New higher EU thresholds for balance sheet assets and net turnover will exempt many more small businesses across member states – but some financial institutions have warned against the potential risk that over-simplifying reporting requirements could create on the ability of small companies to secure credit. And some in the audit profession have questioned whether smaller practices will continue to offer the service if the pool of potential clients shrinks dramatically following the threshold changes.

In these circumstances smaller audit firms who are likely to find the cost of staying registered too expensive may consider not renewing their certificates. If audit costs continue to rise then choice will diminish, with particularly severe implications for sectors like charity and other not-for-profit organisations.

# GROWING GLOBAL

Our *Cogs and Wheels* section highlights what drives a successful international network. In this issue we look at agility, local knowledge and continuous professional development.

## DEVELOPING OUR FUTURE LEADERS

With an eye on the future, the network is committed to developing the next generation of leaders. Every year the business runs an international management and leadership development forum in Spain for top performers from across the network. There is an active alumni programme for past forum graduates and a UHY secondment programme to encourage movement between countries and disciplines. Regionally, training mirrors local needs; for example, the ASEAN group provides personal development training in a region where succession planning is a legal requirement.

## PROFESSIONAL DEVELOPMENT

Expert knowledge of existing and emerging international standards in accountancy is an essential requirement if the network is to provide a high quality and trusted service to clients. Thanks to online knowledge share and multimedia learning, UHY member firms will be as confident with IFRS as they are with US GAAP. The latest changes to International Auditing Standards will be familiar to them. The rate of change of regulation internationally and nationally means there is ongoing local training for partners, managers and staff. In addition, they have access to technical and soft skills CPD programmes supported at a global level by the UHY International Training & Education group.

## DOING BUSINESS GUIDES AVAILABLE FOR OVER 90 COUNTRIES

As well as providing invaluable local expertise and personal service to clients in over 90 countries, UHY member firms across the world each publish and update a guide to doing business in their country. Each guide is a valuable resource for any business looking to expand into new territories, understand the investment opportunities or check out local regulations. Guides cover labour and taxation as well as accounting and reporting requirements, plus an overview on demographics and business set-up.

## FASTER, BETTER, SMARTER

Working together is a way of life for UHY member firms – with clients and colleagues, anywhere in the world. As an international network UHY has always understood that strong links and professional interaction between member firms is the key to providing seamless and consistent services to clients. A flat structure and a passion for teamwork means clients get the fast response and the meaningful information they need, when they need it.

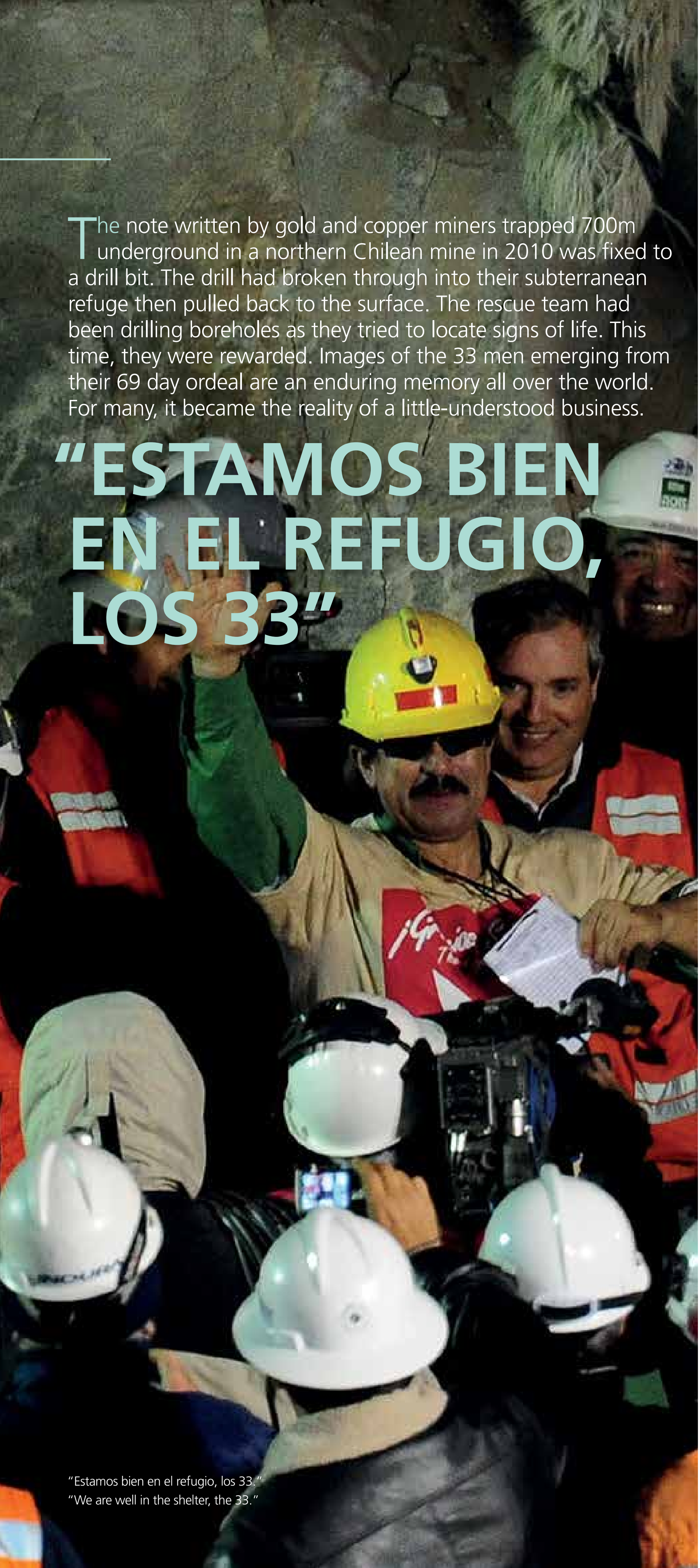
Agility is paramount to UHY's success and a significant competitive advantage for a network this large. It is no surprise that as well as people, technology has an important role to play. Linking arms with 7,600 professionals in nearly 300 offices across more than 90 countries and being able to share data, ideas and expertise in real time makes all the difference. A new collaborative intranet is being introduced to support the network now and in the years to come.

More member firms, more knowledge, more territories – as the network expands to meet the needs of global business, the environment for working together effectively online will get smarter too.

## TRANSFER PRICING GUIDE

The UHY International network produces an easy reference guide to Transfer Pricing for finance and tax specialists within multinational companies or those considering cross-border ventures. The guide presents the relevant rules and legislation in each country including pricing methods, documentation requirements and penalties.

The above reference guides can be downloaded from **www.uhy.com**



The note written by gold and copper miners trapped 700m underground in a northern Chilean mine in 2010 was fixed to a drill bit. The drill had broken through into their subterranean refuge then pulled back to the surface. The rescue team had been drilling boreholes as they tried to locate signs of life. This time, they were rewarded. Images of the 33 men emerging from their 69 day ordeal are an enduring memory all over the world. For many, it became the reality of a little-understood business.

# "ESTAMOS BIEN EN EL REFUGIO, LOS 33"

"Estamos bien en el refugio, los 33."
"We are well in the shelter, the 33."

Five years on from Chile, mining is still dangerous, still dirty, still physically demanding. There have been fatalities and public perception is little changed. It is an industry that became global before most others, that continues its 200 year old role as supplier of the metals and minerals that have industrialised nations and which continues to provide critical raw material for manufacturing today.

As new resources are discovered around the world, new opportunities emerge for mining operators and governments, but the challenges are significant. How to establish physical and regulatory infrastructures and encourage inward investment in new jurisdictions? How to enable effective exploration and profitable extraction operations? The mining industry is in a constant state of change and under ever-closer scrutiny. There have also been dramatic price falls in commodity markets; these have left existing large operators with onerous debts to service and smaller mines at a standstill. It is no wonder that the industry is turning to its professional advisors for help.

## A FUNDING GAP

UHY Global asked members of UHY's global mining special interest group how their mining clients are facing up to the challenges. Koko Yamamoto, partner at McGovern, Hurley, Cunningham LLP, UHY's member firm in Toronto, Canada, says, "A lot of companies based here in Canada are just funding minimum day to day operations without doing much exploration work. Some of them have had to actually stop production and many projects have been placed on care and maintenance because they are just not economically feasible at this time. We see these cycles as quite common in this industry but this seems to have been an overly prolonged one. The cost structures of extraction are now often higher than the current price for the commodity that they are extracting. So looking at ways to contain and reduce costs without compromising safety or efficiency is paramount."

Mark Nicholaeff, audit partner at UHY Haines Norton (Sydney), Australia, agrees, but believes that funding is key, particularly for junior miners – the small early stage exploration and development companies.

They are the operators who look for new deposits of gold, silver, uranium or other precious metals and bring new mines into production. "The biggest issue facing juniors is raising money for exploration or to finance operations," says Mark. "Location, track record, management team – they are all significant for investors. Helping junior miners to bridge their funding gap and get them out of care and maintenance and into development or extraction, that's where a corporate finance partner can add the most value right now."

## RISKY BUSINESS

While Canada and Australia represent two of the most mature, well-regulated and low-risk mining territories in the world, what about the emergent nations? Those which are proving to be a rich source for new exploration and discovery? The balance of risk and reward for investors is a fine one. Returns on new properties may be considerable but there are dangers. Mining operators who move into virgin jurisdictions – often those with a history of corrupt business practice – face a tough environment where it is easy to make mistakes.

New, stringent anti-bribery and corruption legislation at home is one way to promote fiscal and operational transparency of exploration and mining companies abroad. The UK Bribery Act, the US Foreign Practices Act and the Canadian Corruption of Foreign Public Officials Act are three examples of laws making bribery a criminal offence. Prosecutions range from fines and de-listing of corporations to imprisonment of individuals.

But in certain countries where 'facilitation payments' and government patronage have been an accepted business practice, international operators who are prohibited by domestic law from doing this feel disadvantaged. "In the UK, we try to ensure there is sufficient scope within our audit process to understand, for example, cash transfer activity and are required to include a review of journal entries." says Daniel Hutson, audit & assurance partner, UHY Hacker Young in London. "We are required to understand the regulatory environment in which a business operates and clearly the Bribery Act forms part of that. We document internal control procedures, for example, and part of their design should be to prohibit bribery and money-laundering. Whilst we cannot literally hunt down evidence of corruption, we are expected to include additional procedures in the audit of a client where we consider there is a greater risk of bribery or money laundering."

Protecting potentially vulnerable new entrants is one of the most valuable services on offer from UHY member firms operating in newly-regulated economies. There is no substitute for in-depth and current local knowledge. "In Uganda we have anti-corruption measures in place, the Anti-Money Laundering Act of 2013, and other measures designed to create a regulatory framework here," says Sam Thakkar, partner, UHY Thakkar & Associates – UHY's member firm in Uganda. "But the government has little money to promote these. We are very young in the mining sector; it's actually more of an exploration sector. Our junior miners need help and guidance to stay compliant."

One area of concern is the local labour pool, typical of developing countries. Sam says, "Most exploration here is done in rural areas where education levels and standards are lower. You cannot get invoices from a casual local worker. The chances are he is not even registered for tax purposes, yet he is there and available and much cheaper than bringing in foreign or expat teams." Local third party contractors pose similar problems if they don't comply with local tax rules. Sam's firm is developing vendor screening systems and advises on recruitment and selection procedures to help operators make safer choices.

## AFTERWORD

There is no doubt that regulation, transparency and a much needed bull run on commodities when it happens, will restore some equilibrium to the global mining industry. It will also accelerate investment where it is most needed. Even public perception may change for the better. It is heartening to observe what happened as a result of the technology, efficiency and solidarity evident in the Chilean rescue. Both public and private sector organisations worked together, and work safety reforms were implemented as a result. This has made a positive contribution to the Chilean economy. According to French financial business risk assessment company Coface, Chile is now rated the lowest risk country for doing business in Latin America.

Koko Yamamoto, McGovern, Hurley, Cunningham LLP, Toronto, Canada, is head of UHY's global mining special interest group, **kyamamoto@mhc-ca.com**

Contact the UHY executive office, **info@uhy.com** for more information about UHY's global mining capabilities or visit **www.uhy.com/sectors** to find out more.

# BEYOND BORDERS

Overseas expansion is usually a logical progression for ambitious enterprises, but successful internationalisation requires careful planning. ***UHY Global*** takes a round the world tour through some of the pathways and pitfalls to building a business overseas.

There are many sound commercial reasons for small to medium sized enterprises to expand beyond their home market. European Commission director general for internal market, industry, entrepreneurship and SMEs, Istvan Nemeth, says that being internationally active links with higher turnover and employment growth, and there is a relationship between internationalisation and innovation.

To find out how companies successfully manage elements of internationalisation such as human resources, business culture, finance and logistics, we asked specialists for their views.

## PEOPLE MATTER

Hiring local talent who can create the right brand and culture is important, as is understanding cultural diversity, says Kate Chapman, group HR director at recruitment firm PageGroup. "It is vital when exporting talent that they have a good understanding of the cultural nuances they will encounter."

Kate says that for people moving abroad on an international assignment, it is not always about the money. "Expats may take advantage of lower tax rates but people relish the opportunity to experience life in a different culture," she says. "Once many of our people move abroad they rarely go back to their host country, making multiple moves with us throughout their careers."

## CULTURAL NUANCES

Knowledge that prepares a business for new territory must be part of the decision to enter that market. But cultural research tends to be too general, stereotypical and out of date and may encourage a formulaic response to highly nuanced situations that can narrow the focus of leaders to that of following a process rather than 'heads up' flexibility and awareness.

That is the view of Malcolm Nicholson, coaching director at Aspecture and the UK representative for the Centre for International Business Coaching. He says businesses expanding internationally should be helping leaders to understand and develop their ability to juggle conflicting forces. "We are learning to work with more memberships of groups and feel part of them. Helping leaders integrate into new multicultural social and work environments is essential, at both personal performance and business levels."

An inevitable by-product of having people in close proximity is some form of conflict, he says. "This is generally handled according to the law of the land, the culture of the organisation and the manager's discretion. Add regional culture to the mix and accepted norms vary significantly."

## MAKING MONEY COUNT

Finding a bank that offers services in multiple countries or regions can be a challenge for companies with revenues in the millions rather than billions, explains Bob Lyddon, general secretary of the International Banking Association. "There is a trend for banks to focus on doing business just in their 'home' market, which has thinned out the competition in international banking. Anti-money laundering and 'know your customer' requirements mean domestic banks are starting to shun foreign customers because of the difficulty of fulfilling requirements around identifying ultimate beneficial owners."

If the applicant is a non-resident, someone at the bank has to examine papers issued in a foreign jurisdiction and attest that they prove the existence of the applicant and the bona fides of directors, signatories and owners. "The same applies where the applicant is a resident but with foreign ownership," says Bob. "The result, if not a rejection, is an onerous process. It is much easier when the customer's own bank has strong relationships with foreign banks, with agreed standards for responsiveness, timing and paperwork."

Bob says the most important requirement for aspiring international business is access to people who can explain clearly the market practices in foreign jurisdictions and the most appropriate local payment and collection services.

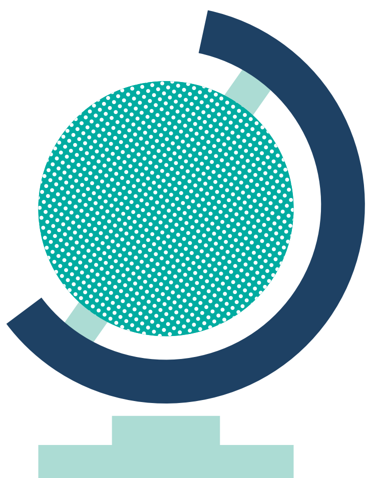
## KEEPING IT MOVING

According to Mark Parsons, chief customer officer UK & Ireland for DHL supply chain, three trends characterise the challenges and opportunities in emerging markets: regionalised supply chains, shortening product life cycles and shifting demographics.

Rapidly changing consumer behaviour, coupled with the variables of infrastructure, culture, regulatory and political regimes and economic development, make unpredictability the norm. Factor in limited talent pools, fragmented distribution systems and security concerns and the unknown variables grow. →

"Expanding your business abroad is a big step. If you are looking to grow your business internationally, member firms in our network can provide practical support and advice during the entire process."

Ladislav Hornan, Chairman
UHY International



"As one global networking products supplier put it, we are in markets now where we are not going to get the density and leverage to build economies of scale for five to ten years," says Mark. "This is a problem for a lot of US and European companies that are used to having projects with a two-year payback."

His colleague, head of DHL resilience team, Tobias Larsson, says corporate supply chain organisations are often siloed, operate on a regional basis and are disconnected among regions and even sites. "They lack visibility and control beyond their part of the operation. That may work day to day, but in crisis, it can be a problem."

## RISKY VENTURES

Companies with international ambitions must also take account of factors like currency volatility. Borrowing in local currency and managing working capital effectively can help reduce the impact of currency fluctuations. However, the increased currency risk when operating in emerging markets brings with it the need for clear, complete information about any risk being created.

Political instability is a consideration in many parts of the world. Poor governance, extreme levels of corruption and civil unrest are among the challenges facing international business operations in emerging markets, says Charlotte Ingham, principal political risk analyst at global risk analytics company Verisk Maplecroft.

Corruption not only undermines overall governance levels, but also serves as a key source of popular dissatisfaction. With nearly 70% of countries rated as 'extreme' or 'high risk' in Verisk Maplecroft's corruption risk index and 41% similarly rated in the civil unrest index, widespread discontent is likely to remain a significant feature of the global political risk environment in the short term.

> "We are in markets now where we are not going to build economies of scale for five to ten years."

Exporters are also advised to protect themselves against late and non-payment. Because overseas customers will take longer to receive their goods than customers in a domestic market longer payment terms are inevitable. Exporters concerned about cashflow should consider asking suppliers for longer terms. For those worried about an overseas customer refusing to pay, credit insurance may be an option. Clearly defined contractual obligations are essential – exporters have to consider factors such as the currency of the contract and obligations in respect of transportation of goods. Contracts should use internationally recognised terms as laid down by the International Chamber of Commerce.

The rewards of internationalisation can be high but as with all new business, carry risk and opportunity. The only way to mitigate risk is to build process and awareness into every stage. ■

## THE NEXT WAVE

Internationalisation is not just a developed market phenomenon – the emergence of multinational companies from developing markets is having a profound effect on global trade.

Analysis conducted by McKinsey has found that emerging market multinationals are increasingly using mergers and acquisitions to penetrate new markets, with the volume of such deals growing by double digits between 2000 and 2013.

According to the World Bank, emerging market multinationals were responsible for one out of every three dollars invested abroad in 2013. Gonzalo Varela, a trade economist in the World Bank Group trade and competitiveness global practice explains that a number of interesting findings emerged from a World Bank and UNIDO-funded survey of 713 firms from four emerging economies (Brazil, India, Korea and South Africa).

"While some analysts have stressed the greater geographical dispersion of the recent wave of outward foreign direct investment flows from emerging economies, firms in our sample invested more heavily in neighbouring countries, where they face lower informational costs and cultural barriers," he says.

The presence of a variety of potential business counterparts was the most important location factor for 27% of the emerging market multinationals, while 16% were most concerned about labour costs. Only 5% were most concerned about political risk.

Doing Business Guides on setting up a business in each country in the UHY network of member firms can be downloaded from **www.uhy.com**

The global UHY network is ideally placed to help you assess and exploit global market opportunities, and minimise risks for your business in international markets. Through our global presence across 300 business centres in over 90 countries, UHY member firms are able to provide you with the on-the-ground knowledge and market insight which can be crucial for success. Visit **www.uhy.com** to find your country-specific expert.

# 20|20 VISION FOR BRAZIL

A full service, project management and consulting company, 20|20 Business Insight delivers training courses and consulting services across the world.

The company turned over USD 6.9m in the 2014/15 financial year and its 45 employees support international clients in seven languages. 20|20 is a growing, privately held company with sector specialisms in oil & gas, construction, public services, financial services and utilities.

## CHALLENGE

In line with their focus on international growth 20|20 decided to open a subsidiary in Brazil where the oil & gas sector was growing significantly and an increasing number of their clients were establishing operations. 20|20 already had a strong sector presence in oil & gas so developing a new base in Latin America represented an excellent commercial opportunity.

"Our sector experience, plus a growing demand for our scale of contextualised training meant that the business argument was solid but we had no experience of setting up offices in Latin America," says Christian Brogger, president 20|20 LATAM, board member and co-owner. "We needed a local specialist to take us through all the legal and logistical challenges of setting up a wholly owned subsidiary in Brazil. We concentrated on scoping and delivering optimal training and consulting solutions for our clients in the meantime."

The main difficulties that foreign companies face when setting up business in Brazil are the bureaucratic system, tax complexities, shortage of skilled labour, logistics and labour costs. "With proper planning we knew we would always be way ahead of our competitors who had not been advised properly," says Christian. "Without question we received this from our UHY team of advisors."

## SOLUTION

20|20's existing accountancy firm, Campbell Dallas, UHY's member firm based in Perth, UK, led by Ian Williams, referred them to UHY Moreira – Auditores, Brazil – "but before we did that we discussed the difficulties of setting up in Brazil.

"We advised 20|20 to prepare thoroughly and make sure their budget was big enough to allow for things not going to plan. Most importantly we encouraged them to engage with local professionals quickly to ensure things like the company's constitution, bank accounts and tax registrations were sorted early on. That's where Eric Waidergorn, international consulting director and the rest of the team from UHY Moreira – Auditores stepped in."

"Eric came to Aberdeen several times so he knows us well. He has an excellent local network of professionals, so he could introduce 20|20 to the right people in Brazil early on to avoid costly mistakes later. We gained enormous confidence from the fact that everyone who worked with 20|20 was very positive about the experience," says Ian.

"For us, taking our business to Latin America was a critical part of our internationalisation strategy. UHY Moreira – Auditores assisted us from day one in the UK and continued the support here in Brazil when we relocated," says Christian. "Eric was able to give us excellent support – I felt able to contact him for updates and direction every step of the way and he always gave me confidence that we were in excellent hands."

## RESULT

20|20 now has an established company in Brazil and UHY Moreira – Auditores continues to support them with accounting services to ensure that all regulatory requirements are met both regionally and internationally.

"We were right to trust Campbell Dallas when they introduced us to the team at UHY Moreira – Auditores. Their deep insight, flexibility and focus on getting the job done fast within the constraints of local regulations was invaluable," says Christian. "They are also an incredibly friendly team to do business with. Eric and I are passionate about Italian food so we enjoy some very lively discussions about where to find the best pizzas in town!"

Contact: Ian Williams, Campbell Dallas, UK **ian.williams@campbelldallas.co.uk**

Contact: Eric Waidergorn, UHY Moreira – Auditores, Brazil **eric.w@auditoria.srv.br**

# CELEBRATING OUR PROFESSIONALS

## GREAT SCOTS

Building strong client networks and developing happy people are strong mantras for UHY member firms, and for Campbell Dallas, UK, that good practice caught the eye of judges at the prestigious annual Scottish Accountancy & Finance Awards 2015.

The firm won two awards, including Accountancy Firm of the Year, while the HR team won the Training Team of the Year award.

Judges were impressed by the firm's apprenticeship and school leaver programme, communication and delivery of vision, goals and values and people development. The training team were praised for their clear vision of skills and behaviours.

Managing partner Chris Horne (Accountant of the Year in 2014) says, "Our strategy is to be responsive to client needs as well as looking after our people. Our fee income continues to rise and we are investing in staff and partners to drive our five year growth plan. We have a strong network within the business community in Scotland which we share with our clients to help their business prosper.

"We focus on investing in the next generation of accountants so that they develop into well-rounded business advisors. The firm is delighted with these awards which reflect the dedication of our staff to prioritising our clients' best interests."

## ACCLAIM FOR ALVIN

As a senior partner with over 25 years in the profession, UHY Malaysia's Alvin Tee Guan Pian was recently awarded one of Malaysia's most distinguished titles – that of Datuk which is roughly equivalent to a British knighthood.

Alvin, whose formal name is now Datuk Alvin Tee, was honoured in the Malaysian King's official birthday federal awards. UHY Malaysia's partner Steven Chong says, "Each year, on the King's birthday, awards are given to dignitaries, ministers and others who contribute to the nation."

The honour reflects Alvin's community activity, which ranges from supporting accountancy schools, sponsoring programmes for small to medium-sized enterprises and acquiring English learning materials for schools. "Awards may be conferred by Sultans of the various states – it is an honour for Alvin's award to be conferred by the King, as it requires endorsement from the prime minister's office," says Steven.

Alvin says, "Getting a Federal Datukship is probably the highest award for a professional like me and I want to thank everyone I have worked with for their endless support and encouragement."

## DOUBLE FOR TAX TEAM

UHY Hacker Young's tax investigation team in London won two major awards at the 2015 annual Taxation Awards, cementing their ambition to bring new service levels to clients at a time of rapid evolution in the tax arena. Tax partner Michael Avient and senior manager Heather Williams won the Best Tax Team in a National Firm category and Best Tax Investigations Team. Heather was also recently named as a winner in the Tax Journal's 40 under 40 list of leading young professionals working in tax in the UK.

Ladislav Hornan, managing partner, UHY Hacker Young, London, UK – and chairman of UHY International – says: "When we set up the tax investigation team we appointed Michael as partner because of his 22 years' experience in investigation and litigation. The team have helped resolve complex issues faced by high net worth individuals, challenging the issue of accelerated payment notices and the legality of the relevant legislation."

The awards are an endorsement of the team's passion for delivering client solutions that blend their technical and strategic expertise.

Exciting challenges are now presenting themselves on the global stage, with the UHY Hacker Young team determined to be at the vanguard. "With the global requirement for greater tax transparency, exemplified by the new Common Reporting Standards, being able to offer cross-jurisdictional expertise will provide an advantage for both national firms and the international network. The team has already worked within a number of jurisdictions and is looking forward to building relationships within the international network to give it a truly global offering," says Ladislav.

# SAVING THE BONOBOS

Bonobos are our closest animal relatives, but thanks to humans they are also highly endangered.

The great apes' empathy and ability to collaborate inspired Chantal Bollen, of UHY CDP, Belgium to join the fight to save them. Chantal works with Lola Ya Bonobo, a non-profit organisation dedicated to saving bonobos, which are endemic to the Democratic Republic of Congo (DRC).

"Lola rescues bonobos from the bush meat trade and takes them to a sanctuary near Kinshasa to rehabilitate them," says Chantal. "Where possible, bonobos are released to their natural habitat, in a reserve called Ekolo."

Lola's community and education projects help local people to preserve bonobos, and scientists to study them. It is supported by sister NGOs in the UK, USA, France, Belgium and Switzerland. One study found that bonobos raised by their mothers were better at social and emotional skills than orphans.

Chantal helped Lola consolidate its administration and finance, and manages the NGO in Belgium as well as its global reorganisation. Her work with Lola is part of her responsibility for supporting non-profit organisations (NPOs) – through her NPO Consultants Without Borders, she works with projects such as accountancy training for micro entrepreneurs.

# COUNTING ON RENÉ

When a client shared his passion and commitment for the Rotary Club movement with René Pérez, managing partner of UHY Pérez & Co, Guatemala, René knew he wanted to get involved.

Rotary has a strong presence in Guatemala, and René's client – chief finance officer of petroleum distributor Blue Oil, Carlos Alonso – welcomed him to Club Rotario Guatemala Nordeste.

"The more I heard about the mission and values, the more it appealed," says René.

"I learned about the positive impact its projects have on communities, the friendship and solidarity and the transparency of its processes – great motivations for wanting to be a permanent member."

René's experience in finance management and reputation in the professional community made him a natural contender for treasurer. Since he was appointed he has worked on a number of projects –

- equipping a hospital in Zacapa
- installing fresh water in Quiché
- a 10k race to raise funds to help children working on rubbish tips
- collecting toys and food for children in San Juan Sacatepéquez
- a programme which donates eggs to orphanages to boost child nutrition.

"My involvement has been so rewarding and it is a privilege to work with such committed and hardworking people. We hope our work makes a difference and adds value to UHY Pérez & Co – part of the reputation we wish to build with client and community," says René.

# HONOUR FOR DAVID

Director at UHY Saxena, United Arab Emirates (UAE), David J Burns has earned Royal recognition with a Most Excellent Order of the British Empire (MBE) in the Queen's Birthday Honours List for services to British business, charity and community work in Dubai.

David held a four-year tenure as deputy chairman and chief operating officer of the British Business Group (BBG) in Dubai, a not for profit organisation promoting UK business in the UAE.

David and his wife Christine were also involved with a range of charities and community groups.

"With so many groups to support in the UAE, choosing one was difficult but our partner Rajiv Saxena and his wife Shivani guided us," says David.

"UHY Saxena has sponsored BBG and provided ad hoc pro bono services to organisations in the UAE."

"It is an honour to receive an MBE for my commitment to improving the lives of others," says David.

"We have contributed to setting up Feline Friends in the UAE, chaired the UAE Branch of the Royal Society of St George, the Royal British Legion and the British Business Group." Congratulations to David.

**LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS**

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