Thames Valley

Business Barometer

'Going to Market' Strategies

The Thames Valley Business Barometer is a collaboration between BDO LLP and C8 Consulting, providing a regular snapshot of business and economic confidence in the Thames Valley. The results offer a compelling street-level view of business sentiment, helping to inform decisions on growth, investment and employment in the region.

June 2014

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"Coffey's recent work in Pakistan on behalf of DFID offers good insight into the complexity of the projects the company undertakes."

KEITH ONSLOW
Finance Director
Coffey

EXECUTIVE SUMMARY

Economic Confidence Remains at Record High Levels for Thames Valley Businesses

Over the last 12 months the Thames Valley Business Barometer has recorded a further, impressive rise in levels of confidence across the region, demonstrating how the mood of the business community in the Thames Valley has become significantly more buoyant.

Forecasts for the nation as a whole have also improved. In May the CBI upgraded its forecast GDP growth in 2014 from 2.6% to 3.0%. It also upgraded its 2015 forecast from 2.5% to 2.7%. In the latest BDO Business Trends report (June 2014) national expectations for output for the next six months remain optimistic with businesses expecting further above-average growth, while the BDO Employment Index continues to indicate robust hiring intentions.

Here in the Thames Valley our latest Barometer results reveal that business confidence in the region is at a record high. As business conditions have strengthened, confidence among Thames Valley businesses has risen dramatically. In our latest survey, 90% of business leaders felt that general levels of economic confidence had improved compared to 79% in December 2013 and just 31% this time last year. That's a staggering rise of almost 60% over a relatively short period of time.

Alongside strong business confidence levels, order books, turnover and profitability continue to build. 82% of those surveyed said that turnover had increased and 86% expect it to increase even further in the next six months. With such an optimistic outlook, it is no surprise that headcount has also increased over the last six months for six out of ten businesses with 71% stating that they expect to increase headcount further in the next six months. This is good news for local businesses and the local labour market and shows that businesses are putting their confidence into action. However, it will inevitably put pressure on the ever increasing 'war on talent', as demand for skilled staff outstrips supply - a picture, according to our national Business Trends Survey, that is already emerging in sectors such as manufacturing and construction.

With businesses looking towards growth and with such a positive outlook, we asked respondents how they felt about the availability of finance. Just over a third felt that access to finance had improved and was definitely easier than six months ago while half felt that it had remained the same. In December 2013 the statistics were very similar, so will banks free up finances to fuel growth or will access to finance remain a sticking point that hampers growth as businesses look to future expansion? During our roundtable discussion on 4th June when we revealed the early findings to Barometer panel members, we asked two representatives from the main banks how they felt about the results in this area. Both HSBC and RBS confirmed that they are definitely 'open for business' and that it is a key priority for banks to lend to businesses.

'Going to Market' Strategies

In the latest Barometer we looked at 'Going to Market' strategies to understand how businesses in the region intend to sell and grow. Questions focused around where companies are selling, what overseas opportunities exist, as well as the barriers to entry. It is clear that a sustainable recovery will have to rely heavily on diversifying and re-balancing our region's economy towards exports. Thames Valley companies have massive untapped potential to expand, but they need the right backing to help them compete globally and break into these new markets.

Nationally, the CBI reports that only one in five of the UK's small and medium-sized businesses currently export. However it also states that businesses are 11% more likely to survive if they do. Recently, The British Chambers of Commerce (BCC) published a major international trade survey, looking at how many UK companies are currently exporting and the barriers they face in penetrating new growth markets. The survey of nearly 4,700 respondents shows that the number of businesses that are actively exporting has risen from 32% in 2012 to 39% in 2013, and that the EU is still the most popular market. However, many businesses are now recognising the changing dynamics of the global economy, with more companies targeting fast-growing economies such as the United Arab Emirates and India to try and increase their export sales.

It was interesting to compare these results with the Thames Valley where we found that 56% of businesses sell to overseas markets with EU Europe being by far the most popular destination (47%). North America, Non EU Europe, Middle East/Africa and Asia were each markets of opportunity for about a quarter of those businesses surveyed.

When we looked into the main drivers for expanding sales into new geographies many respondents talked about the globalisation of their clients and the need to service their requirements globally. Others saw the opportunity for growing the business overseas with these countries representing new target areas for growth.

Barriers Ahead

The main barrier to entering a new overseas market for a fifth of respondents was the lack of opportunity to build relationships with key influencers and decision makers, while 11% found that it was having to deal with new regulations, standards and procedures and a further 11% found it was the cultural and language differences. The BCC survey also found that market knowledge and access were key barriers for those considering exporting. This highlights the urgent need to address these areas and provide the support required.

In the previous Barometer we saw a dramatic rise in the main business indicators and I suggested that business leaders in the Thames Valley needed to start thinking about what was needed to prepare for a growth market. Over the last six months the indicators have continued to rise and we are now seeing early signs of barriers appearing: in particular a shortage of skilled labour among both blue and white collar workers. This is partly due to a lack of investment during the recession as well as the draw of other regions, particularly London, as the economy recovers. It is important therefore that the business community and local authorities work together to ensure that the Thames Valley remains an attractive location for skilled people to work and live and for ambitious businesses to thrive.

We hope you find the Barometer interesting and informative reading and we welcome your feedback. We also encourage you to share these results with your own networks – with your customers and your suppliers - to encourage increased participation in future Business Barometers. The more organisations that get involved, the more we are able to gauge what is really happening across the region.

About the Survey

The Thames Valley Business Barometer – a collaboration between BDO LLP and PR and marketing firm, C8 Consulting - provides a twice yearly snapshot of business and economic confidence in the Thames Valley. This latest survey opened on 31st March and ran until 21st May 2014. Over 100 local businesses took part and we would particularly like to thank all of our panel members for helping to encourage responses through their own networks.

The Barometer also includes in-depth profiles of Thames Valley based businesses NetDespatch, Quantel, Hitachi Capital Car Solutions, CliniMed Holdings and Coffey, who shared their perspectives on their own performance in 2014 and the key challenges they face for the remainder of the year. We would like to thank them for giving their time to be interviewed for this report.

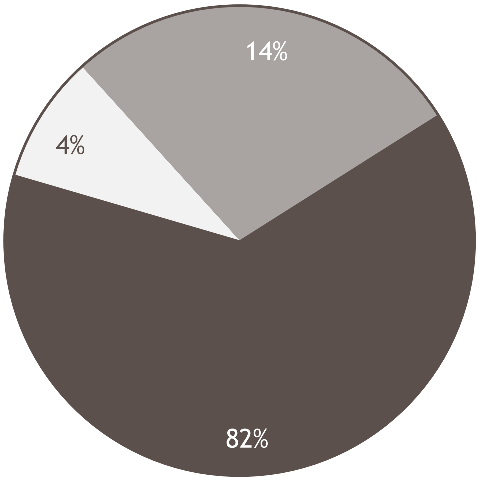
SIMON BROOKER
Partner and Head of BDO Thames Valley

Survey Results

TURNOVER

Accelerated Growth

- When asked whether turnover has increased, decreased or remained the same, 82% said their turnover increased in the past six months (versus 79% in December 2013 and 65% in Q1 2013).



In the previous six months turnover...

82%	Increased
4%	Decreased
14%	Remained the same

"Our run rate this year has increased by more than 50%, and every month 1,000 new retailers join our eco-system."

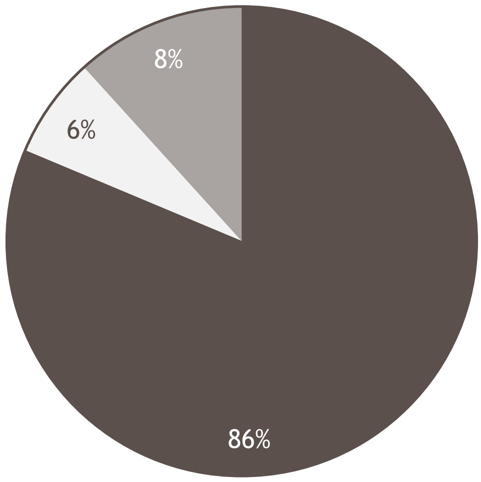
BECKY CLARK
Chief Executive Officer
NetDespatch

"Over the years growth has been both organic and through acquisitions and today the business is still growing with a turnover of £80 million."

SEAN FARBROTHER
Group Chief Executive
CliniMed Holdings Ltd

Further Increases Expected

- Looking forward to the next six months, 86% expect turnover to increase and 8% expect it to stay the same. This compares to 76% in December 2013 and 67% in Q1 2013 who expected their turnover to increase. Just 6% expect turnover to decline in the next six months (this figure was the same in December 2013).



In the next six months turnover will...

86%	Increase
6%	Decrease
8%	Remain the same

NETDESPATCH - CONTINUING TO LEAD THE MARKET THROUGH TECHNOLOGY INNOVATION

Founded in 1999 and headquartered in Marlow, NetDespatch makes global ecommerce possible for retailers, by enabling their carriers to deliver parcels quickly and efficiently. By providing a highly resilient web shipping and tracking platform for postal and parcel carriers worldwide, the organisation makes a complex process simple, delivering efficiency improvements and savings to everyone in the supply chain from consumer, to retailer, through carrier, to last mile delivery. The NetDespatch platform delivers transparent, trackable, scalable and repeatable processes that seamlessly integrate retailers with their carriers' systems, enabling the carriers to deliver increasingly high levels of customer service.

NetDespatch is a recognised specialist SaaS platform provider, privately owned, organically grown with no external investors. In 2013, NetDespatch was nominated as one of the brightest and best emerging technology providers by analyst firm, MegaBuyte. Key customers are major postal and parcel carriers such as Royal Mail, CollectPlus, La Poste, APC Overnight, Yodel and New Zealand Post, who use the NetDespatch solution to allow their customers to create the correct shipping labels, manifests and customs documentation, track parcels and automatically send pre-advice notifications of collections and deliveries.

Becky Clark, owner, founder and Chief Executive Officer comments: "Today the company employs 35 people. We are increasingly profitable and have been for the past three years. Our run rate this year has increased by more than 50%, and every month 1,000 new retailers join our eco-system. Our goal for the next three years is to expand geographically into the major eCommerce markets of Asia, South America, Scandinavia and Australasia."

NetDespatch provides a mix of expert knowledge, innovation and systems integration. Becky Clark continues: "Our USP is that we are a proven platform for major carriers, with a broad portfolio of consultancy and integration services that are completely free to retailers. We enable the fast on-boarding of retailers for our customers, which is a major competitive advantage in an industry that is highly competitive and fast moving. We also provide our customers with business agility and innovative ideas, helping them to grow their business."

Right now the ecommerce market is exploding and retailers need to respond to customer expectations in order to anticipate how they should evolve their businesses. Becky Clark continues: "Today retailing is a multi-channel experience underpinned by innovation and technology. Smart devices mean that in just three clicks we can purchase goods. If we buy an item online, it can be delivered on the date and time and to the destination of our choice. We don't have to wait. Consumers know what they want and retailers and carriers need to ensure they are meeting these demands."

NetDespatch continues to lead the market through technology innovation. One recent development is an out-of-the-box solution for organisations wishing to provide a 'click and collect' store network. An example is CollectPlus, the largest store-based parcel service in the UK.

Additionally NetDespatch's new 'Intelligent Vendor Selection' option enables carriers like Asendia, to offer simple cross-border shipping solutions to their customers. A partnership between La Poste and Swiss Post, Asendia operates across the globe using around 20 different country partners - all powered by the NetDespatch platform. Asendia customers are able to seamlessly integrate their warehouse operations and automatically receive the correct labels and documentation for the selected in-country partner, removing the risks of over-labelling, and maintaining data integrity throughout.

NetDespatch is constantly evolving its services. The traditional web shipping and tracking service, for postal and parcel carriers, still accounts for about 85% of its business, but other products and continuing innovation in a fast developing market are key areas of focus for the business. Becky Clark concludes: "This is a very exciting time for the company as we continue to expand globally."

> "Our USP is that we are a proven platform for major carriers, with a broad portfolio of consultancy and integration services that are completely free to retailers."

BECKY CLARK
Chief Executive Officer
NetDespatch

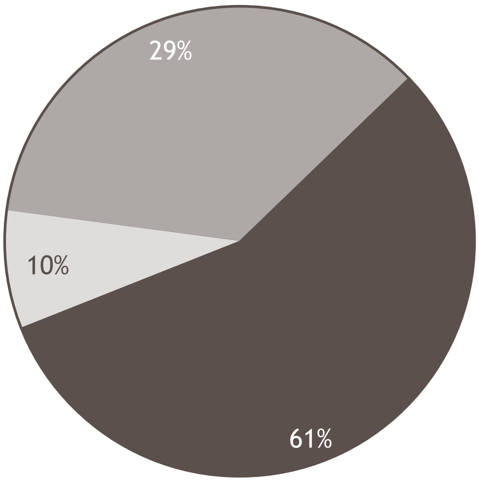
HEADCOUNT

Headcount Increases Significantly over Previous Surveys

- Headcount increased for 61% of respondents in the past six months, with 71% stating that they expect their headcount to increase in the next six months. This is a significant increase from December 2013 and Q1 2013 whereby 49% and 39% of respondents stated that headcount had increased.

In the previous six months headcount...

61%	Increased
10%	Decreased
29%	Remained the same



"Labour is our biggest cost and our greatest resource. We encourage all our staff to continually strive for improvement and to challenge themselves. We believe in advancement through meritocracy."

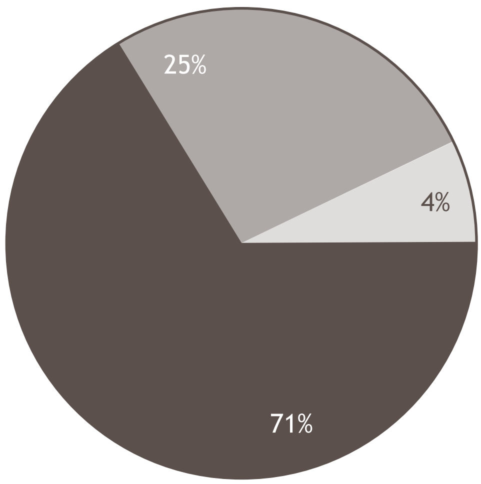
SEAN FARBROTHER
Group Chief Executive
CliniMed Holdings Ltd

Majority Expect Headcount to Increase Further

- 71% of respondents said that headcount is expected to increase for the remainder of 2014 suggesting a continued increase in recruitment for Thames Valley businesses.
- Only 4% expect to reduce headcount in the next six months.

The next six months headcount is expected to...

71%	Increase
4%	Decrease
25%	Remain the same



CliniMed®

CLINIMED - IMPROVING LIVES

CliniMed Limited is the founding company of a privately owned British group of companies established in 1982. CliniMed (Holdings) Ltd is the parent company of the CliniMed Group which today employs over 600 people and serves healthcare markets around the world.

The CliniMed Group comprises seven companies: CliniMed Limited (a stomacare company), SecuriCare (a free home delivery service for medical products), Flexible Medical Packaging (healthcare product design and development), Welland Medical (stoma product design and manufacture), Laminar Medica (cold chain shipping systems), Helapet (hospital and pharmaceutical disposables) and CareFlex (specialist seating).

Sean Farbrother is Group Chief Executive of CliniMed Holdings Ltd, which today is still a family owned business that works hard to maintain its family ethos. Sean has been employed by the organisation for over 25 years starting as a marketing assistant for CliniMed Ltd. Over the years he has held senior roles in a number of the companies including Managing Director of CliniMed Ltd and Securicare (Medical) Limited, Managing Director at Welland Medical Limited and Managing Director at Helapet Limited. He took on the role of Group Chief Executive when the owners implemented a new senior management team devolving to them day to day operational authority.

CliniMed is, perhaps, best known for its stoma and skin care products. In fact 68% percent of the business is derived from the Stoma products. Over the years growth has been both organic and through acquisitions and today the business is still growing with a turnover of £80 million. Sean comments: “In comparison to some of our international competitors, we are one of the smallest players. That said, we are world leading with our adhesive and skin barrier products and renowned for the flushability and normality that our Stoma products give our customers. Our key goal is to improve people’s lives.”

In terms of challenges in more recent years there has been significant down pressure on prices in all the markets that CliniMed operates. As a result the various Group companies have initiated continuous improvement programmes and implemented efficiency programmes to help maintain its competiveness. Innovation has also been key, not just with the products and services it offers but in the way the companies operate. The organisation prides itself on constantly looking to deliver new and innovative improvements in its products.

With around a third of the Group’s turnover derived from exports this, alongside continual product innovation, is where Sean sees future growth coming from, particularly in markets such as North and South America, Asia and Australasia. The competition is much larger in size than CliniMed and this in itself presents a challenge. Sean adds: “We have to think smarter, be fleet of foot and have innovation at the heart of our business so that we can keep one step ahead.” Sean does believe that the economic environment is improving and he is cautiously optimistic. He says “In the healthcare sector customers are still looking for value for money and we need to ensure that we are seen to offer this.”

Training, personal development and continuous improvement is embedded in the Group’s ethos. Sean continues: “Labour is our biggest cost and our greatest resource. We encourage all our staff to continually strive for improvement and to challenge themselves. We believe in advancement through meritocracy.”

This approach is evidenced by the fact a number of the Group companies have been accredited with Investors in People - Gold, the highest level, and three of the Group companies have been short listed for Investor in People Employer of the year. This award category recognises the best of the best, tangible business success, excellence and innovation in people management practices as well as a clear commitment for delivering tangible results in the future.

Right now Sean doesn’t view recruitment as a problem around the Group which prides itself on having a multi-cultural workforce with generations working in the organisation from parents to children to brothers and sisters. Sean concludes: We tend to find that people stay with us. When you walk the shop floor employees are proud to say that they have worked five, ten, fifteen and sometimes twenty years with us. We believe this is testament to our mission to change people’s lives whether they be employees or customers.”

“In comparison to some of our international competitors, we are one of the smallest players. That said, we are world leading with our adhesive and skin barrier products and renowned for the flushability and normality that our Stoma products give our customers.”

SEAN FARBROTHER
Group Chief Executive
CliniMed Holdings Ltd

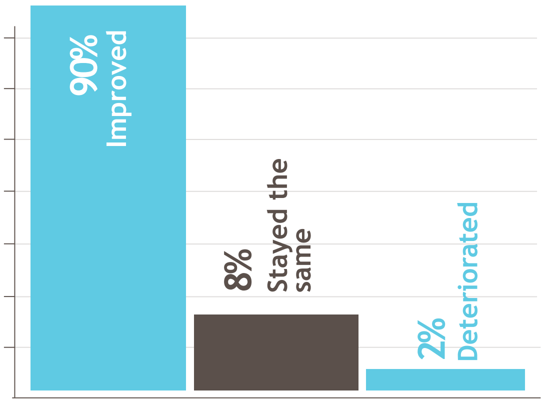
ECONOMIC CONFIDENCE

Record High Levels

In this latest Barometer we measured staggeringly high level of confidence for the first half of 2014:

- 90% of those surveyed stated that confidence had improved (versus 79% in December 2013 and 31% in Q1 2013)
- Very few respondents (2%) suggested economic confidence had deteriorated (versus 4% in December 2013 and 10% in Q1 2013)
- 8% felt that it had remained flat (versus 14% in December 2013 and 49% in Q1 2013)

In terms of the general level of economic confidence in the Thames Valley in the last six months respondents believe this has...



"The economy is improving and confidence has returned."

ROBERT WASTELL
Divisional Managing Director
Hitachi Capital Car Solutions

PROFITABILITY

Profitability Remains Positive

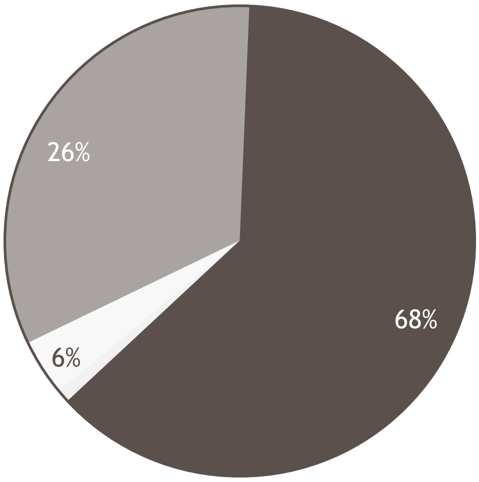
- Profitability was up for 65% of respondents in the last six months (versus 58% in December 2013 and 55% in Q1 2013). This is consistent with expectations as 64% of those surveyed in December 2013 expected their profitability to increase. For 23% of respondents profitability remained the same and 12% saw profitability decline (versus 39% in December 2013 and 14% in Q1 2013).

Businesses Remain Optimistic for 2014

Expectations for the remainder of 2014 are strong. Some 68% are expecting profitability to be up in the next six months and 26% expect profitability to remain the same. Just 6% expect to see a decrease in profitability.

The next six months profitability is expected to...

68%	Increase
6%	Decrease
26%	Remain the same



Quantel

QUANTEL - A CONSTANTLY EVOLVING MARKET

90% of everything broadcasting company Quantel produces is exported to locations around the world. Headquartered in Newbury, Quantel was founded in 1973 at the dawn of the digital television age. Today it produces and maintains digital production systems for the broadcast television, video production and motion picture industries. Having recently acquired Snell, one of the leading innovators in broadcast technology, it now has 13 offices in the USA, Canada, Latin America, Hong Kong, China, Japan, Korea, Australia and mainland Europe. The company has over 500 employees worldwide.

Quantel's business is focused on news and sport production, delivering the systems that allow great programmes to be made for customers including the BBC and ESPN, two of its biggest customers. While another side of its business is high end post production systems which have been used on television and film productions including Avatar, Slumdog Millionaire and Spiderman 2. Over the years Quantel has gradually shifted away from manufacturing hardware to producing software and systems and has developed an increasing level of repeat income from the supply of support contracts.

During this time Quantel has been responsible for a number of major technological breakthroughs, including the first viable digital effects system, the first digital paint system (Paintbox), the first digital compositor (Harry) and the first online digital editor (Henry). Steve Owen, Marketing Director, Quantel comments: "We offer great value to our customers and focus on blue chip customers. We undertake quite a lot of bespoke development and are very customer-led. In the past we focused on hardware but these days most of what we sell is software."

80% of product sales are dedicated to news and sports production and the remaining 20% comes from the high end post production business. Together this counts for about two thirds of the company's overall revenue. The remaining third comes from support contracts and annual support fees.

Steve Owen continues: "It's a very tough business. There are a lot of global competitors and throughout our history we have witnessed massive technology change in broadcasting. Digital has made this business much more complex. In terms of the economic environment and the impact of the recession I think the market is just about getting back to where it was in 2008. Throughout that time however we have been profitable and we have grown 4% year-on-year."

Quantel prides itself on having a small number of large customers worldwide. The company places great emphasis on understanding its customers' objectives. Steve continues: "We have to know our customers' business inside and out which is why we have direct sales people all around the world and a very consultative approach."

In terms of the recent Snell acquisition, Steve sees this as highly complementary. He believes that Snell's culture is very similar to Quantel's. Snell is an innovative organisation that sells premium high value products and there are some real technology synergies with Quantel with no product overlap. The acquisition took place in March and Quantel now boasts combined revenues of £110 million. Quantel is working hard to integrate the two organisations and it plans to showcase the joint organisation and some combined new offerings before the end of the year. Steve continues: "Snell has good live TV and TV Everywhere businesses and Quantel has a great post production business. We are still working on the integration but I would say it is business as usual - but better."

Funding for the acquisition was from its existing private equity backers, LDC, and Steve hints that there may be more acquisitions in the future. He adds: "If you are not growing you are moving in the wrong direction." In terms of barriers to growth, the availability of good people is a hindrance and Quantel competes aggressively for smart real-time software developers. It is because of this that Quantel has a good graduate recruitment scheme so that it is able 'grow its own' talent. Trading overseas also has its challenges. Local nuances in the market and understanding the customer's culture can be hard which is why the company has a strong direct sales force and a good reseller network. Steve concludes: "Quantel has to continually reinvent itself for a constantly changing market. It is an exciting place to work as we build a newly combined business."

"We undertake quite a lot of bespoke development and are very customer-led."

STEVE OWEN
Marketing Director
Quantel

AVAILABILITY OF FINANCE

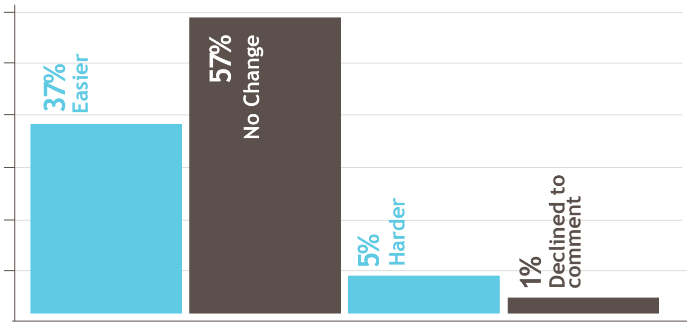
Access to Finance Stabilising

- Over one third (37%) of those surveyed believe that it is now easier to access finance. This is marginally higher than December 2013 when 33% felt that availability of finance was easier but more than double the amount (14%) in Q1 2013. Over half (57%) believe that the availability of finance has remained the same (versus 57% in December 2013 and 59% in Q1 2013). There was only a small percentage (5%) that believe it has become harder to access finance.

"Funding for the acquisition was from our existing private equity backers, LDC, and there may be more acquisitions in the future. If you are not growing you are moving in the wrong direction."

STEVE OWEN
Marketing Director
Quantel

Change reported on the availability of finance...



"As you can imagine the company has good access to funds and recently purchased a multi-million pound portfolio, with 9,000 cars, from one large competitor."

ROBERT WASTELL
Divisional Managing Director
Hitachi Capital Car Solutions

HITACHI
Inspire the Next

HITACHI CAPITAL CAR SOLUTIONS - DELIVERING EXPONENTIAL GROWTH

In the last six months turnover and profit have increased exponentially for Hitachi Capital Car Solutions, a division of Hitachi Capital Vehicle Solutions Limited (HCVS). This, and a healthy new business pipeline, has resulted in a recruitment drive in the local Berkshire area.

HCVS is part of Hitachi Capital (UK) PLC (headquartered in Staines), along with three other divisions covering invoice finance, consumer finance and business finance. HCVS also comprises three divisions; driver instructor car finance, a specialist commercial vehicle and plant business and Hitachi Capital Car Solutions, based in Newbury covering car finance and fleet management. Robert Wastell has been Divisional Managing Director for the Car Solutions business for the past two years and he comments: "The HCVS fleet is circa 65,000 vehicles and we are known for providing excellent service and adding value especially to large corporate customers, offering a range of bespoke, outsourced solutions."

HCVS falls under the umbrella of Hitachi Limited, a Japanese conglomerate comprising circa 930 worldwide companies and around 330,000 employees. Hitachi Limited operates in an array of markets from trains to telecoms to nuclear. Its financial services arm is where Hitachi Capital and HCVS fit. Hitachi Capital Car Solutions provides full car fleet management and car policy design, all forms of funding, full maintenance services, risk and accident management, daily rental as well as a range of cost and operational improvement programmes for its customers. It leans on its Japanese heritage to deliver these through its own take on "Kaizen". Every make of car is supplied and every customer is supported by Hitachi's highly trained customer service and account management teams.

Hitachi Capital Car Solutions' fleet has expanded over the years but the last two have seen exponential growth. As you can imagine the company has good access to funds and recently purchased a multi-million pound portfolio, with 9,000 cars, from one of its competitors. Most of Hitachi's accounts are large or medium sized fleets, but it is also moving into the SME sector to broaden its customer base. The company has also commenced a European expansion programme. Robert talked about the type of cars that the company has in its portfolio and commented: "Alternative fuels are becoming more attractive. I think for most fleets we will see a blended portfolio of vehicles and hybrid is an area which will continue to grow over the next five to ten years."

The company has recently acquired an organisation in Poland and Robert sees more expansion into overseas territories on the horizon. Robert continues: "The UK is our hub for our European expansion and having acquired a business in Poland, Turkey and France are the next targets on the list. Most of the markets we are assessing offer us the opportunity to leverage our expertise in full service leasing. For us the challenge is obtaining basic information about these markets and coping with the cultural differences."

Key challenges for the organisation are coping with growth and Robert states that you can never afford to forget your existing customers. As the organisation grows Robert is looking at how the business can be more efficient and deliver even more customer value. This includes understanding how Hitachi's existing operating systems and processes can scale so that the organisation can seamlessly incorporate new business and further improve its current mode of operation.

As a Japanese company Hitachi has a unique culture and its policy around employees is to engage, develop and retain. To this end it has an employee engagement programme designed to ensure everyone knows where the business is going and understands the important part they play in helping the company achieve its goals. The company recently won a "Best Companies" 2 Star award. The company has run both graduate programmes and apprenticeship schemes, winning a National award for the latter in 2013. Of the six graduates hired, five were given permanent roles at the end of the two-year programme. Seven apprentices were recruited locally from Newbury College and after completing a two-year NVQ, all seven were given permanent roles.

Robert concluded by talking about the general economic environment: "The economy is improving and confidence has returned. For example we can see that new car registrations increased again this May. At Hitachi, we are certainly 'open for business' always interested in talented people and looking for new opportunities both in the UK and overseas."

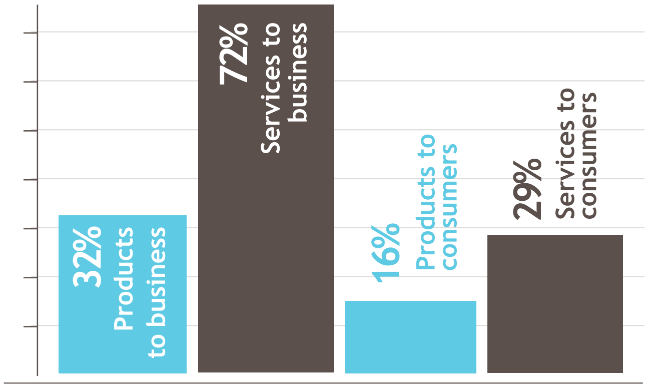
"In the last six months turnover and profit have increased exponentially."

ROBERT WASTELL
Divisional Managing Director
Hitachi Capital Car Solutions

'GOING TO MARKET' STRATEGIES

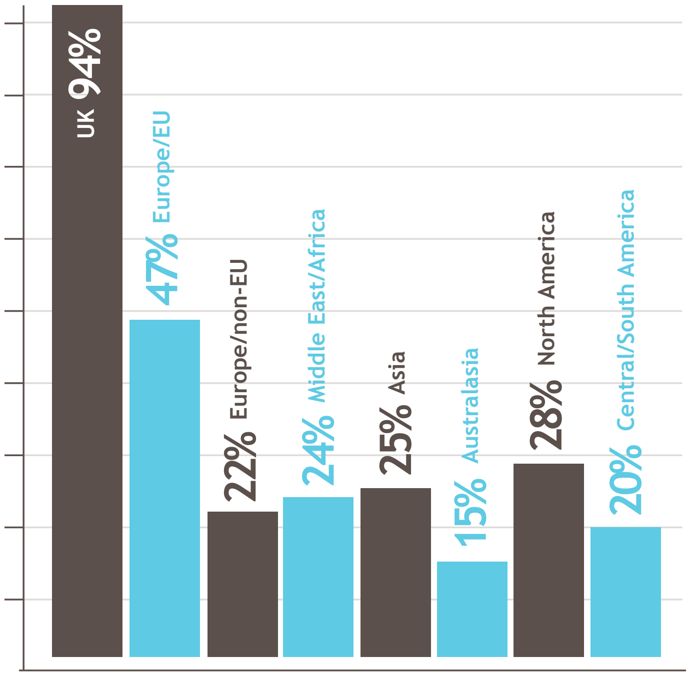
What do Thames Valley Businesses Sell?

- Our findings show that we are a heavily service-oriented region selling primarily to other businesses rather than consumers. When asked what does your business sell? 72% of businesses ticked the services to business category with 32% selling products to business and 29% selling services to consumers.



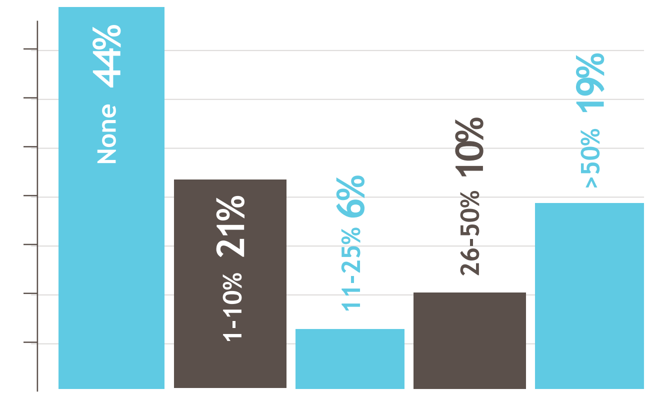
Where are Businesses Selling?

- The EU remains the most popular market for existing exporters. When respondents were asked which regions they currently sell to, the top three answers were UK (94%), Europe/EU (47%) and North America (28%).



How Much are Businesses Selling Overseas?

- When asked what percentage of their company's turnover comes from outside the UK over a third (37%) stated that somewhere between 1 and 50% of their turnover came from exports. Just under one fifth (19%) say that they derive over 50% of their income from sales outside the UK.

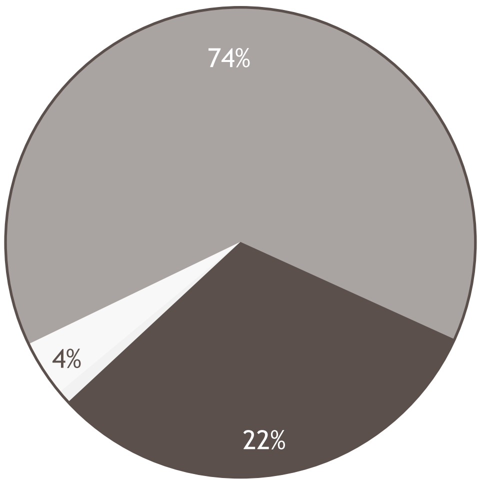


'GOING TO MARKET' STRATEGIES

How will Overseas Sales Change?

- When asked how they expected the percentage of overseas sales to change in the next six months, over one fifth (22%) expect this figure to increase with the vast majority (74%) expecting the current split to remain unchanged.

22% Increase
4% Decrease
74% Remain the same

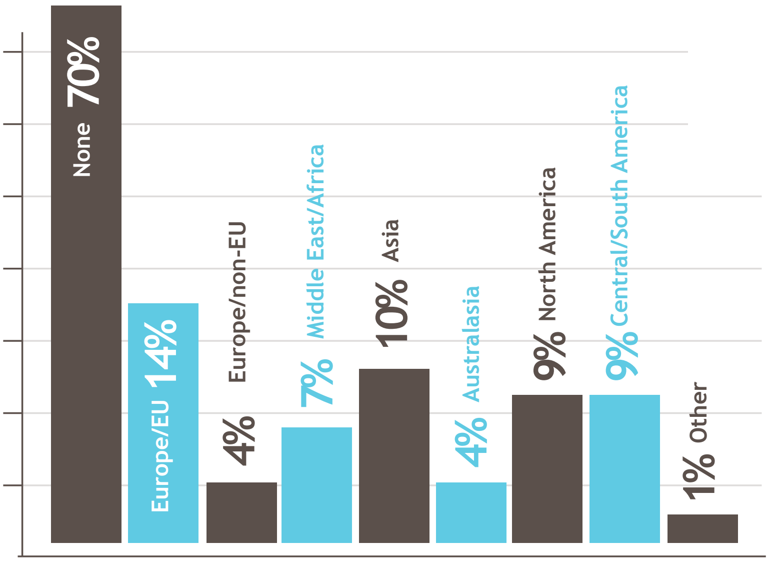


"The UK is our hub for our European expansion and having acquired a business in Poland, Turkey and France are the next targets on the list."

ROBERT WASTELL
Divisional Managing Director
Hitachi Capital Car Solutions

New Markets

- When asked which new markets, if any, businesses expected to enter in the next 12 months, the most common answers were:



"The Company's project offices dot the globe and can be found in places such as Afghanistan, Ghana, Kenya, Nigeria and Pakistan."

KEITH ONSLOW
Finance Director
Coffey

‘GOING TO MARKET’ STRATEGIES

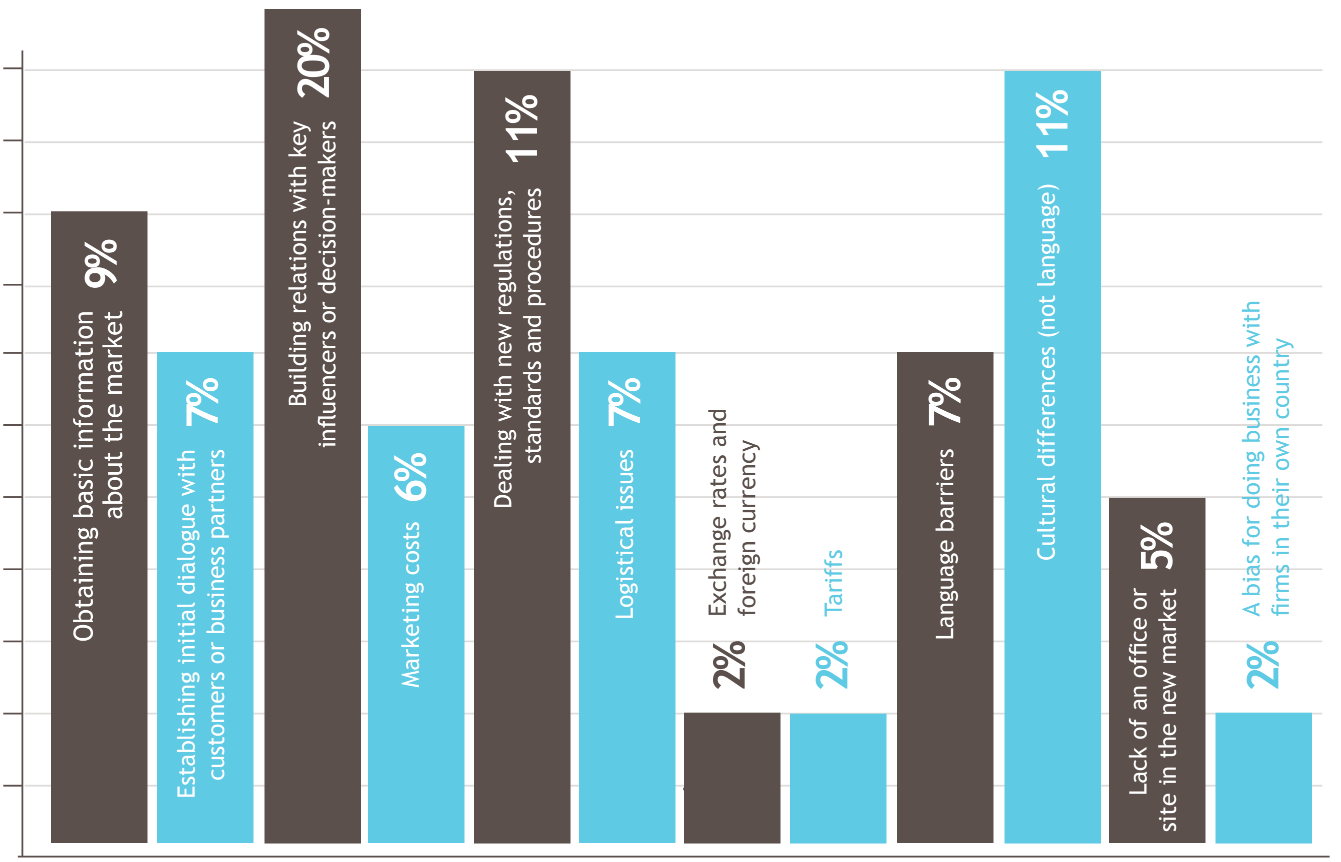
Reasons for Expansion

- When asked about the main reasons for expanding sales in new geographical areas many respondents talked about the globalisation of clients and the need to service them globally. Others saw bigger opportunities for growing the business overseas with these countries representing new target areas for growth.

> “90% of everything Quantel produces is exported to locations around the world. Therefore we have to know our customer’s business inside and out which is why we have direct sales people all around the world and a very consultative approach.”
>
> **STEVE OWEN**
> Marketing Director
> Quantel

Barriers to Entry

The survey found that the biggest barrier to entry in new overseas markets was the lack of opportunity to build relationships with key influencers and decision makers (20%) This was followed with dealing with new regulations, standards and procedures (11%), the cultural differences (11%) and the business’s inability to obtain basic information about the market (9%).



COFFEY - MEETING COMPLEX INTERNATIONAL NEEDS

Founded 40 years ago, Coffey is a specialist professional services consultancy with expertise in geosciences, project management and international development. The international development team works with the public and private sectors across the developing world to help reduce poverty and improve lives.

Combining policy expertise and extensive field experience, Coffey has designed and delivered hundreds of projects in more than 80 countries, including in conflict-affected and fragile states such as Afghanistan, Pakistan and Sudan. The company works with the UK Department for International Development (DFID), the European Commission, the US Agency for International Development (USAID) and the Australian Department of Foreign Affairs and Trade (DFAT), as well as a range of other clients, including foundations, think tanks, NGOs, private corporations and host country governments.

Coffey's international development hubs are in Australia, the US and Europe. The European business alone has offices in Warsaw, Reading and London and employs over 100 permanent employees, plus hundreds of consultants. The company's project offices dot the globe and can be found in places such as Afghanistan, Ghana, Kenya, Nigeria and Pakistan.

Coffey's international development managers are supported by a sizeable London-based team of statisticians and researchers who help set up monitoring and evaluation systems to measure the progress of Coffey's projects and enable managers to learn what works best to achieve the desired outcomes. The team also undertakes independent evaluations of both development and other public sector activities.

Coffey's recent work in Pakistan on behalf of DFID offers good insight into the complexity of the projects the company undertakes. Over the past year, the Coffey team has been working to improve relations between citizens and government in Khyber Pakhtunkhwa, a highly unstable border region in Pakistan, in order to support peace-building. Coffey has been working to make the justice system fairer and to improve policing, including by helping the police revise their investigation processes, by training investigators to become specialists and by providing training on violence against women for the police.

This work also focused on helping women to understand their legal rights and setting up "Lady Complaints Units" within police stations to make it easier for women to lodge complaints, receive support from the police, and ultimately have their issues addressed in a fair manner. Those undertaking the work are a mix of permanent staff, consultants and local employees. Keith Onslow, Finance Director for Coffey explained: "Coffey parachutes in small teams of international consultants whilst looking to recruit as many local employees as possible. Our goal is to then hand off to a permanent local team."

"We recruit exceptional people," Keith continued. "They are well-educated, bright and passionate about what they do. Their reward is that they undertake some pretty amazing projects, often in quite challenging parts of the world. They could be anywhere and everywhere." Coffey has recruited in the Thames Valley region for various roles, including for the finance department."There is a very good pool of talent here," Keith noted.

Coffey is continuing to recruit staff. Over the past year the business has performed well and is growing. A new general manager, Kit Black, has come over from Australia to run the European business, an illustration of the company's commitment to expanding its operations in Europe. Previously, Kit oversaw a period of growth for Coffey in the Asia-Pacific region, where Coffey is one of the Australian government's leading contractors in the international development sector.

Coffey Europe has just formed a new leadership team whose remit is to double the size of the business over a five year period. According to Keith the company is on track to achieve this. "We want to expand the breadth of projects we work on. So for example, we are looking to draw on the expertise of our colleagues in Australia and the US to undertake more work in education, health, and strategic planning."

Keith commented: "This year has been the best year so far for Europe. It is always a changing landscape and with government there is always a continual rebalancing of the budgets, but even in a fluctuating environment I feel very confident about Coffey's future."

> "We recruit exceptional people. They are well-educated, bright and passionate about what they do."

KEITH ONSLOW
Finance Director,
Coffey

THAMES VALLEY BUSINESS BAROMETER ROUNDTABLE

Thames Valley Business Barometer Breakfast Debate

This senior-level roundtable discussion was designed as a forum to unveil top level findings from the most recent Barometer, allowing Barometer panel members to discuss the results as well as the challenges and opportunities facing businesses in the region. The event was held at BDO's Thames Valley office in Reading on 4th June 2014 and was attended by panel members from BDO, Boyes Turner, C8 Consulting, Hicks Baker, HSBC, RBS, Romans, Shoosmiths and UTC Reading.

Leading the discussion was **Simon Brooker from BDO** and **Paula Elliott from C8 Consulting** who together summarised the high level findings from the survey, providing the group with context ahead of the general discussion. The economic outlook was even more positive than it was in the last published survey in December 2013. Simon began the discussion by asking if the results had surprised anyone.

John Wilkinson from HSBC stated that he was not surprised. He commented that HSBC had recently analysed 39 separate forecasts of GDP and investment in the UK and found that economic conditions and a rise of business confidence is providing the perfect conditions for growth. **Donald MacDonald from RBS** endorsed the view that confidence in the Thames Valley is high and said that it feels, based on real belief, that economically things have improved and continue to do so.

As the housing market is always a good barometer to measure economic confidence, Simon asked **Michael Palmer from Romans** what his take on the latest findings were. Michael commented: "We are certainly seeing a huge increase in confidence. We are predominantly estate agents but fundamentally our issue is lack of stock. This isn't a problem where folks are not putting their houses on the market, we are simply selling houses quicker. We sold more properties this year than last year."

Michael went on to say however that he doesn't feel that there is a housing bubble. In fact nationally the volume of house transactions is still 30% down on the 30 year average. This has improved - back in 2012 national transactions were down 40% on a 30 year average. He added that there is now huge pressure on fees but this is being compensated by house price rises.

There was consensus around the table that conveyancing is causing a bottleneck and that houses are taking much longer to exchange and complete than buyers would like. This is down to a capacity issue with many of the lawyers. That said there are also a lot fewer transactions in the chain now as an increasing number of sales are 'buy to let'.

Giles Blagden from Hicks Baker commented: "This is one of the reasons for the lack of stock. There is no churn and limited chains in housing. We are fast becoming a generation of renters. Today about 33% of housing stock in the UK is rented from about 20% only a few years ago and expectations are that this growth will continue."

The conversation moved on to business confidence and what this means for businesses in the Thames Valley. Without a doubt organisations will now start to look at new enterprises or expanding existing enterprises, expanding their offerings and opening new offices - all of which will put increased pressure on recruitment and the hiring of skilled people.

Emma Gibson from Shoosmiths commented: "In the legal profession there is greater demand than capacity. This is because we experienced significant cut backs on the down slope into recession. A consequence of this is that we have ended up with fewer young people being trained and we are now missing three to five years of new blood coming into the market." **Bill Gornall-King from Boyes Turner** concurred and advised that many potential lawyers coming out of college are unable to get training contracts.

Giles Blagden from Hicks Baker posed the following questions to the group: "Do we think that the skills shortage is partly because of London? Is London pulling people away from the region? Is the work/life balance in this region not good enough and are folks putting off starting families and staying in London longer?"

Emma Gibson from Shoosmiths replied: "I do think we are in danger of losing our entrepreneurs with the 'brain drain' into London and this could have an impact on growth in the region as not only do entrepreneurs take young talent into their businesses but they also act as the feeder into some of our bigger businesses in terms of the next generation of intellectual property and ideas. We don't have the draw in this region that London does, therefore it is incredibly important that schemes such as the new science park planned at the University of Reading goes ahead so that we can attract more entrepreneurially minded and dynamic businesses to set up in the region. Around Oxford the situation is better but this area still lags behind Cambridge and part of the reason for this is because the Thames Valley, particularly Oxford and Reading, is not joined up enough."

Joanne Harper from UTC Reading, a college specialising in computer science and engineering for 14-19 year olds which opened last year, added: "The college already partners with over 30 companies. The reason they have engaged with us is that organisations are starting to recognise talent at 14 and 15 and are working with education to attract these bright young people into their business through sponsored degrees and other programmes."

Simon Brooker from BDO added: "We are taking on more school leavers. I wonder whether we think young

THAMES VALLEY BUSINESS BAROMETER ROUND TABLE

people are not going to university because of the fees or as a result of the recession? Do youngsters now want to be earning, working and getting work-ready skills under their belt much earlier?"

The group agreed that social mobility may become a bigger issue with bright youngsters whose families cannot support them through university, although there was a general concern that young people currently in higher education are taking on large amounts of debt without really thinking about it.

Nicolas Hicks from HSBC believes there is also a growing blue collar skills gap which is leading to a lack of skilled trades such as electricians and plumbers. He felt that this was more to do with how skills are now valued and the fact that core trades have little kudos in Britain. He added: "If we look to the continent, people who have trade skills are highly sought after and valued."

Nicolas went on to talk about the military as a large pool of untapped resource. He commented: "Ex-military personnel are extremely well trained, especially in the trades. They have a high level of understanding but due to lack of exposure to business, some will have reduced commercial acumen. In my opinion these folk are a great source for recruitment."

The conversation moved on to the topic of funding and the availability of finance. The general consensus is that good businesses can get cash but they don't necessarily want or need it. The sentiment coming through the survey was that access to finance hadn't really changed since last autumn, but as said before, economic conditions are great for business growth and this should be seen as an opportunity. Access to finance is available should ambitious businesses look to grow. **John Wilkinson from HSBC** commented: "Funding or access to funding is in a healthier state than a couple of years ago. The landscape is more competitive. We have £100 million locally available for SMEs to fund ambitious companies that wish to grow. We are lending but we would like to lend more. Mid-term loans year-on-year are up 20%, asset finance and receivable finance is up 20%, funding inventory and working capital and equipment finance is up 30% - so overall we are seeing an uptick year-on-year. Our approval rates are over 80%, and we are working to help reduce the 20% of declines by offering free 'Access To Finance' workshops which will hopefully show businesses that we are open for business."

Donald MacDonald from RBS added: "Some businesses are still looking to pay down debt rather than take on new debt but there is increasing demand for borrowing. Banks appear to be 'open for business' and have money to lend on a sensible basis."

John Parkinson from BDO commented on activity in the capital markets: "In the last six months we've witnessed significant IPO growth on AIM to the point where there is not enough capacity to get all the deals done before the summer holidays. Will that have an impact on the region? I think the good companies got there first. When the market really opened up again and there was capital to fund opportunities the brokers naturally went for the low hanging fruit and the good companies all surged to the front which caused this spike but things will settle down now. In my opinion there is still a flight for quality. Good deals will get done, but poor quality deals won't get funding."

The roundtable concluded by asking the group whether they felt there were any local restrictors on growth. The three key areas cited were: infrastructure, poor and disjointed local government administration, particularly in Berkshire, and a lack of a final decision on the future of Heathrow.

Barometer Panel

Thank you to the following organisations for their help and support with the Thames Valley Business Barometer:

- Barclays Bank Plc
- Boyes Turner LLP
- CH&Co
- ComXo Ltd
- DAV Management Ltd
- Grundon Waste
- Hays Plc
- Hewland Engineering Ltd
- Hicks Baker Ltd
- HSBC Bank Plc (Commercial)
- HSBC Bank Plc (Corporate)
- Imago Group Plc
- Institute of Directors
- London Irish Ltd
- Lorica Insurance
- Ocean Consulting
- Peter Brett Associates
- Pitmans LLP
- Royal Bank of Scotland
- SAS UK and Eire Ltd
- Shoosmiths LLP
- Thames Valley Berkshire LEP
- Thames Valley Property Forum
- The Romans Group (UK) Ltd
- Thames Valley Business Magazine
- Thames Valley Chamber of Commerce
- University Technical College Reading

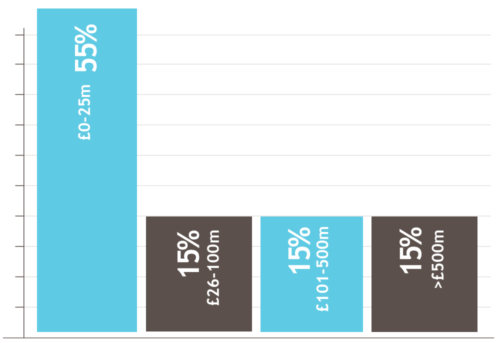
SURVEY METHODOLOGY

The survey was conducted from 31st March to 21st May 2014. A total of 103 respondents took part in the survey, which was supplemented by five in-depth face-to-face interviews with key businesses in the region.

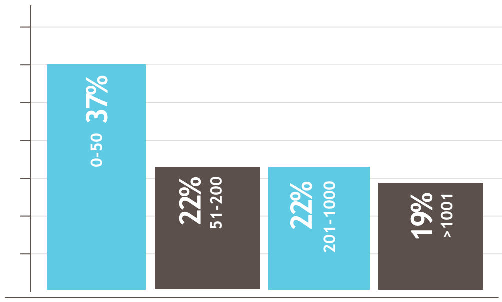
Respondent company make up

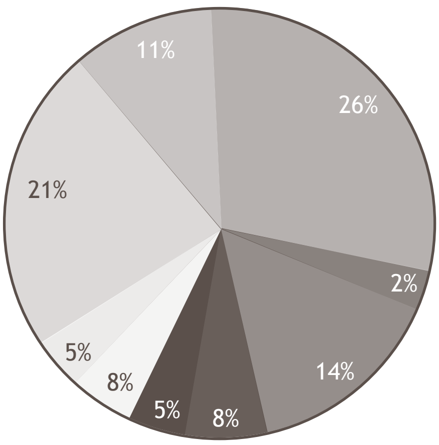
- The majority of companies that responded are UK Parented Private Limited companies (52%). 10% have overseas parents
- Over half (55%) have a turnover between £0-25 million
- 15% have a turnover of £26-100 million
- 15% have a turnover of £101-500 million
- 15% have a turnover of over £500 million

Turnover band (£)



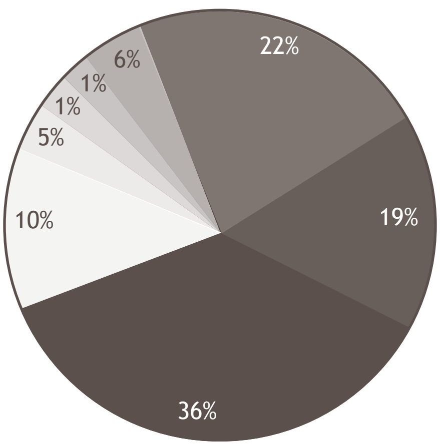
Approximate headcount:





Sector they operate in:

0% Primary activity, energy, utilities
8% Retail and wholesale
5% Leisure & hospitality
8% Real estate & construction
5% Manufacturing
21% Technology, media, telecoms
11% Financial service
26% Professional services
2% Not for profit or public sector
14% Other



Business location within the Thames Valley:

22% East Berkshire
19% West Berkshire
36% Central Berkshire
10% Oxfordshire
5% Buckinghamshire
1% Hampshire
1% Middlesex
6% Other

For more information please

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