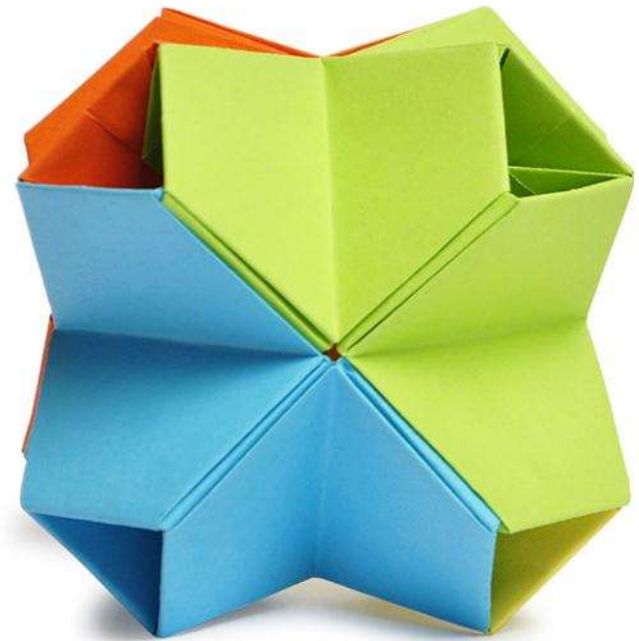




Deloitte Finance Club

The community for Financial
Controllers and senior financial
executives



Wednesday, 23rd April 2014

Deloitte Finance Club

A few facts

- *Financial Controllers' Club* established in **May 1997**
- Provides an **annual programme of technical updates and hot topic briefings**
- Connects our members to relevant experts as well as over **2,200 members** across the country
- Renamed **Deloitte Finance Club** in January 2013

Deloitte Finance Club

Upcoming programme

- Finance IT systems
Wednesday, 7 May 2014

- The Summer finance checklist
Thursday, 17 July 2014 – **NEW FORMAT: MORNING SESSION**

Deloitte Finance Club

Today's agenda

- Tax update
- Real Estate predictions
- Corporate infrastructure – emerging trends survey
- Accounting for real estate

Bill Dodwell

Anthony Duggan

Kevin Schou

Sara Tubridy

Deloitte.

Deloitte Finance Club
Tax update



Bill Dodwell

Tax update

Agenda

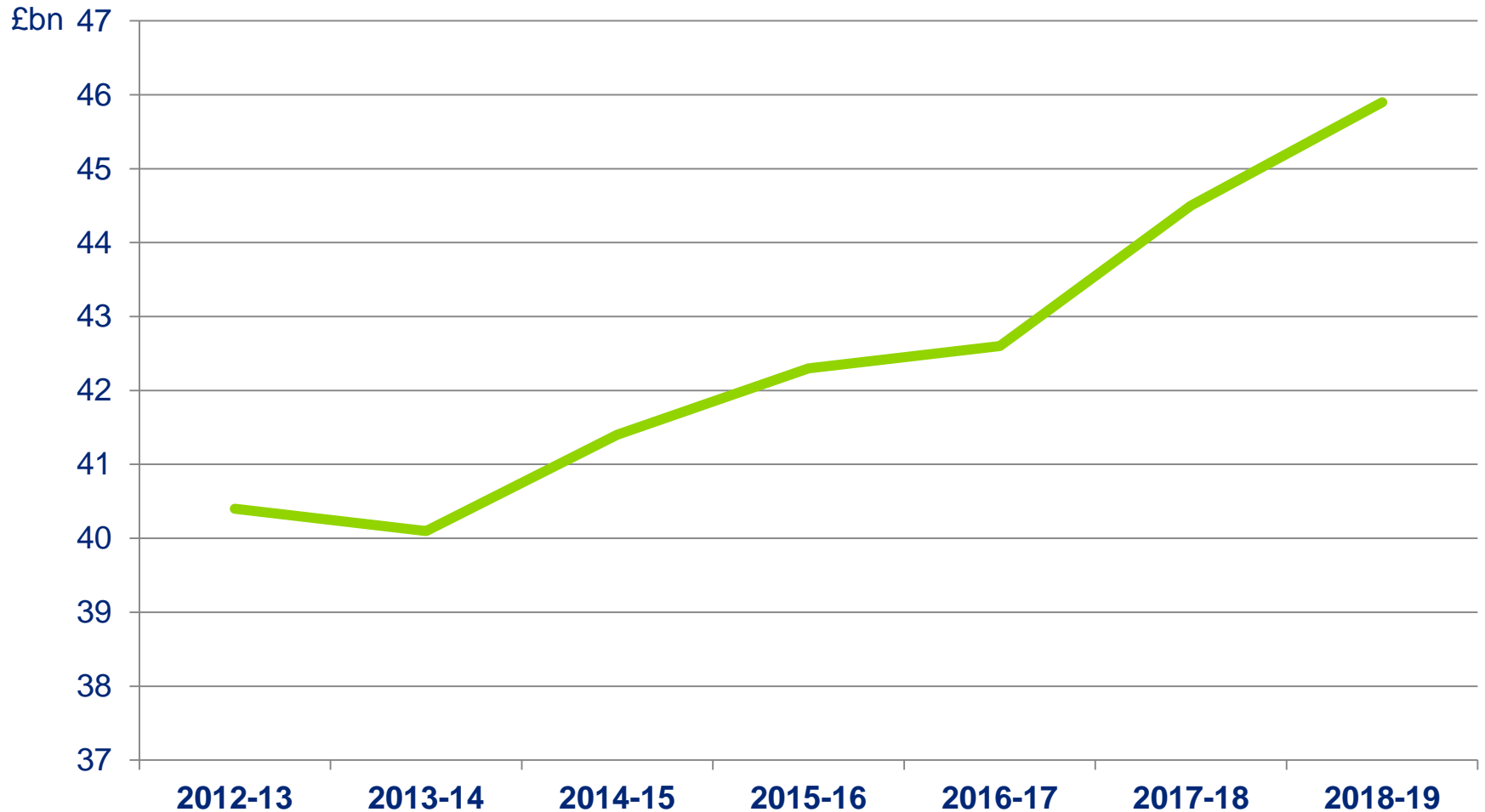
- Budget 2014
- Transparency initiatives
- International tax changes: Base Erosion and Profit Shifting

Budget 2014

Business taxes

Trends in tax collection

Corporate Tax



Business taxes

Headline announcements

Corporation tax: main rate

- April 2014: 21%
- April 2015: 20%

Bank Levy

- from 1 January 2014 full rate will be increased to 0.156%

Incentives

- Annual Investment Allowance
- Capital Allowances - Enterprise Zones
- SME R&D tax credit for loss makers
- Creative industries reliefs

Anti-avoidance

- Accelerated payments for tax avoidance schemes



Transparency

Tax update

Transparency

EU

- Country by country reporting for banks
- Payment accounting for Extractive and logging sector
- No extension of public country by reporting – 2018 review
- Disclosure of beneficial ownership of companies and trusts??

UK

- Disclosure of beneficial ownership of companies
- Encouragement to say more about tax
- Dow Jones Sustainability Index: tax Qs for 2014

OECD

- Disclosure of high level country information to tax authorities

OECD: Base Erosion and Profit Shifting

Base Erosion and Profit Shifting

Background

- Project commenced June 2012
 - Political impetus November 2013
 - Scoping paper February 2013
 - Fifteen point Action Plan July 2013
-
- 34 Member States of OECD + 2 accession states
 - 8 additional countries in G20
-
- Committee on Fiscal Affairs
 - Working Party 1 – Treaties
 - Working Party 6 – Transfer Pricing
 - Working Party 11 – Avoidance
-
- Digital Taskforce

Base Erosion and Profit Shifting

OECD's timetable for actions – three key dates for output

September 2014

- Digital economy
- Hybrid mismatches
- Treaty abuse
- Transfer pricing documentation
- Transfer pricing of intangibles (1)
- Preferential tax regimes

September 2015

- CFC rules
- Permanent establishments
- Transfer pricing of intangibles (2), risks and capital, other
- Disclosure of aggressive tax planning
- Dispute resolution
- Data collection and analysis measuring BEPS

December 2015

- Interest deductions
- Harmful tax practices
- Multilateral instrument to address BEPS

Base Erosion and Profit Shifting

Four Key actions for 2014

Country reporting: new template agreed?

- How to do it
- Wider implications

Hybrids

- Assess implications
- Consider options should laws change
- Retain benefits

Intangibles

- Assess implications
- Substance, profit split
- More to come

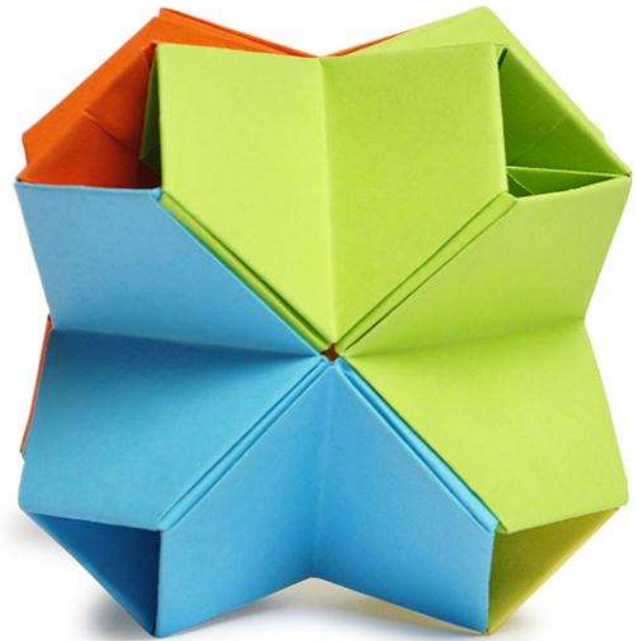
Digital economy

Deloitte.

Real Estate

Deloitte Finance Club UK commercial real estate market update

Anthony Duggan



Real Estate Predictions 2014



The **economy** is on track to see the **strongest growth** since 2007

A white clock face icon on a dark blue background, with the hands pointing to approximately 10:10.

The **TMT** sector will continue to **drive London office demand** in 2014

A white silhouette of a city skyline with various building shapes against a blue background.

Construction costs to jump in early 2014 as **pricing power** shifts to **contractors**

An icon showing a white construction crane and a large white pound sign (£) on a blue background.

Taiwanese insurance companies to join the wave of **overseas investors** targeting the UK

A white globe icon showing the Eastern Hemisphere on a green background.

Expect **strong capital value growth** in H1

A white line graph icon showing an upward trend on a dark blue background.

E-fulfilment battle will drive a **sharp increase** in retailers' demand for **urban logistics** in 2014

An icon showing white trucks and buildings on a green background.

Real estate steps up as a **key tool** in the battle for **talent**

A white silhouette of a person standing under a spotlight on a dark blue background.

2014: The year that the scale of the public sector **property disposals** starts meeting the **Government's ambition**

A white silhouette of a classical government building on a green background.

Vacancy (finally) starts to **fall** on the **high street** in 2014

An icon showing a white silhouette of a high street scene with buildings, trees, and streetlights on a green background.

Real Estate Predictions 2014

Deloitte.



UK real estate predictions 2014
Expansion mode

The **economy** is on track to see the **strongest growth** since 2007



Taiwanese insurance companies to join the wave of **overseas investors** targeting the UK



Expect **strong capital value growth** in H1



Deloitte CFO Survey Q1 2014

Corporates record risk appetite and hunger to expand

Deloitte. Q1 2014

The Deloitte CFO Survey

Record risk appetite

Risk appetite among the Chief Financial Officers of the UK's largest companies rose to a six-and-a-half-year high in the first quarter of 2014. 71% of CFOs say now is a good time to take risk onto their balance sheet, more than twice the level of a year ago and higher than the levels prevailing before the onset of the financial crisis in late 2007.

Significantly reduced economic uncertainty and much improved financing conditions have helped drive corporate risk appetite higher.

Our economic and financial uncertainty index has fallen by one-third over the last year. Easy monetary policy and favourable financing conditions have created a capital-rich environment for big UK corporates. Buoyant risk appetite means that CFOs are likely to draw down on that capital. CFOs report that credit is more available, and more keenly priced, than at any time in the last six-and-a-half years. Expectations for equity issuance and bank borrowing have seen a strong recovery since the lows in late 2011.

The default position of large corporates in the past six years – bullish on emerging markets, cautious on developed markets – seems to be reversing.

CFOs have become more confident about growth in developed economies, particularly the UK. CFOs increasingly see growth here in the UK, and established markets such as the US and euro area, as the key drivers of their corporate investment plans.

Plans for all forms of corporate spending – hiring, capital spending and discretionary spending – are at new three-and-a-half-year highs. A record 95% of CFOs expect merger and acquisition activity to rise over the next year.

CFOs have become markedly more confident about the outlook for UK inflation. Last quarter a majority expected inflation to overshoot significantly its 2.0% target in two years' time. Most now expect inflation to be around 2.0%. On average CFOs expect interest rates to rise by 0.25% over the next year.

Consumer spending has been a significant driver of the UK recovery so far. This quarter's CFO Survey suggests that corporate spending will play an increasingly prominent role as the recovery matures.

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To access current and past copies of the survey, historical data and media coverage, please visit:
www.deloitte.co.uk/cfosurvey

Chart 1: Risk appetite
% of CFOs who think this is a good time to take greater risk onto their balance sheets

Quarter	% of CFOs
Q3 2007	25
Q1 2008	15
Q3 2008	30
Q1 2009	25
Q3 2009	25
Q1 2010	30
Q3 2010	35
Q1 2011	40
Q3 2011	20
Q1 2012	30
Q3 2012	25
Q1 2013	55
Q3 2013	65
Q1 2014	71

April 2014

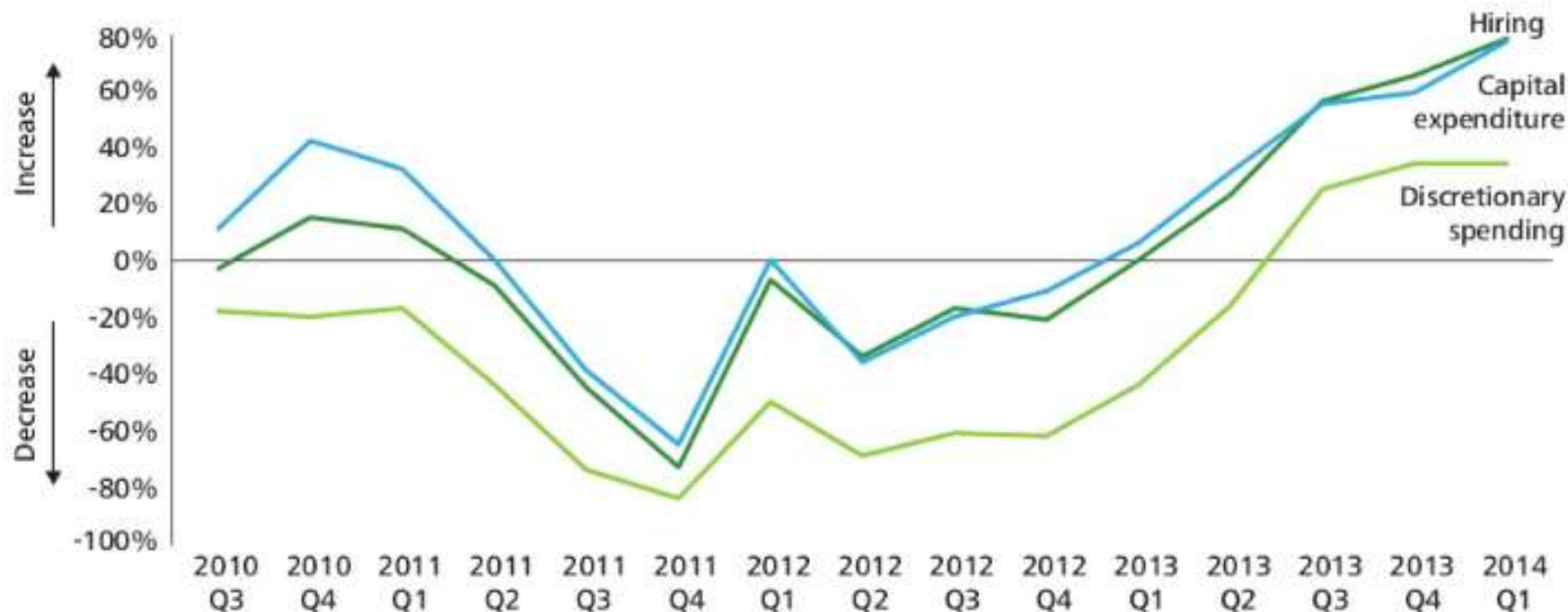
- Risk appetite reaches a six-and-a-half year high with strong outlook for hiring and spending.
- UK growth a key driver of corporate investment, now more supportive than emerging market activity.
- Shift towards increased corporate leverage as credit conditions improve.

Latest Deloitte CFO Survey suggests rising investment

Expectations for hiring, capital expenditure & spending at 3½ year high

Chart 10. Outlook for hiring, capital expenditure and discretionary spending

Net % of CFOs who expect UK corporates' hiring, capital expenditure and discretionary spending to increase over the next 12 months



Real Estate Predictions 2014



Real Estate Predictions 2014



London Futures

London leads globally in 12 of 22 high-skilled, knowledge-based sectors

Figure 1. Leading cities by sector, based on employment ranking

Financial services	Technology, media and telecommunications	Business and professional services	Consumer business	Education	Culture	Life sciences
London 1	London 1	London 1	Los Angeles 1	London 1	London 1	Los Angeles 1
Chicago 2	Los Angeles 2	New York 2	London 2	New York 2	New York 2	New York 2
New York 3	New York 3	Chicago 3	Chicago 3	Hong Kong 3	Los Angeles 3	Toronto 3
Boston 4	Singapore 4	Los Angeles 4	Singapore 4	Sydney 4	Paris 4	Boston 4
Hong Kong 5	Hong Kong 5	Boston 5	New York 5	Boston 5	Singapore 5	Chicago 5

Deloitte.

London Futures
Globaltown: Winning London's crucial battle for talent

Key points

- Deloitte has assessed 22 high-skilled, knowledge-based sectors and finds that London is the world's leading city in 12 of them, employing 5.1 million people. This makes the city almost of its nearest rival, New York, which has 3.2 million working in these sectors.
- London is unique in the breadth and depth of these high-skilled sectors and our research finds that London's economy is diversifying with growth in creative, digital and health technologies, which are reorganising for the decline in financial services employment.
- Deloitte predicts a continued net growth in London employment of 100,000 by 2020, of which at least 100,000 will be in high-skilled sectors.
- Deloitte notes that recruitment will be critical to enhance London's leading position, including the recruitment of a Clear Talent Office for the city.

Contacts

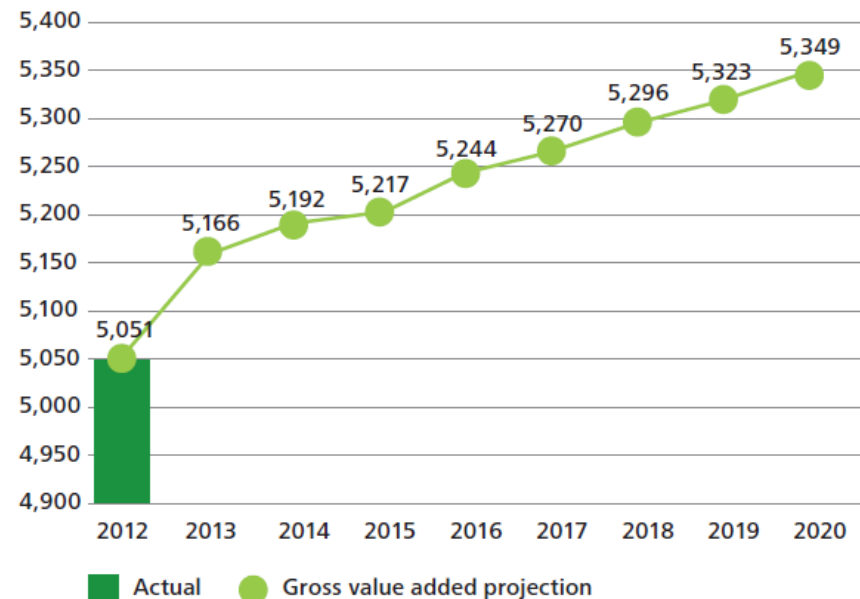
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UKFutures

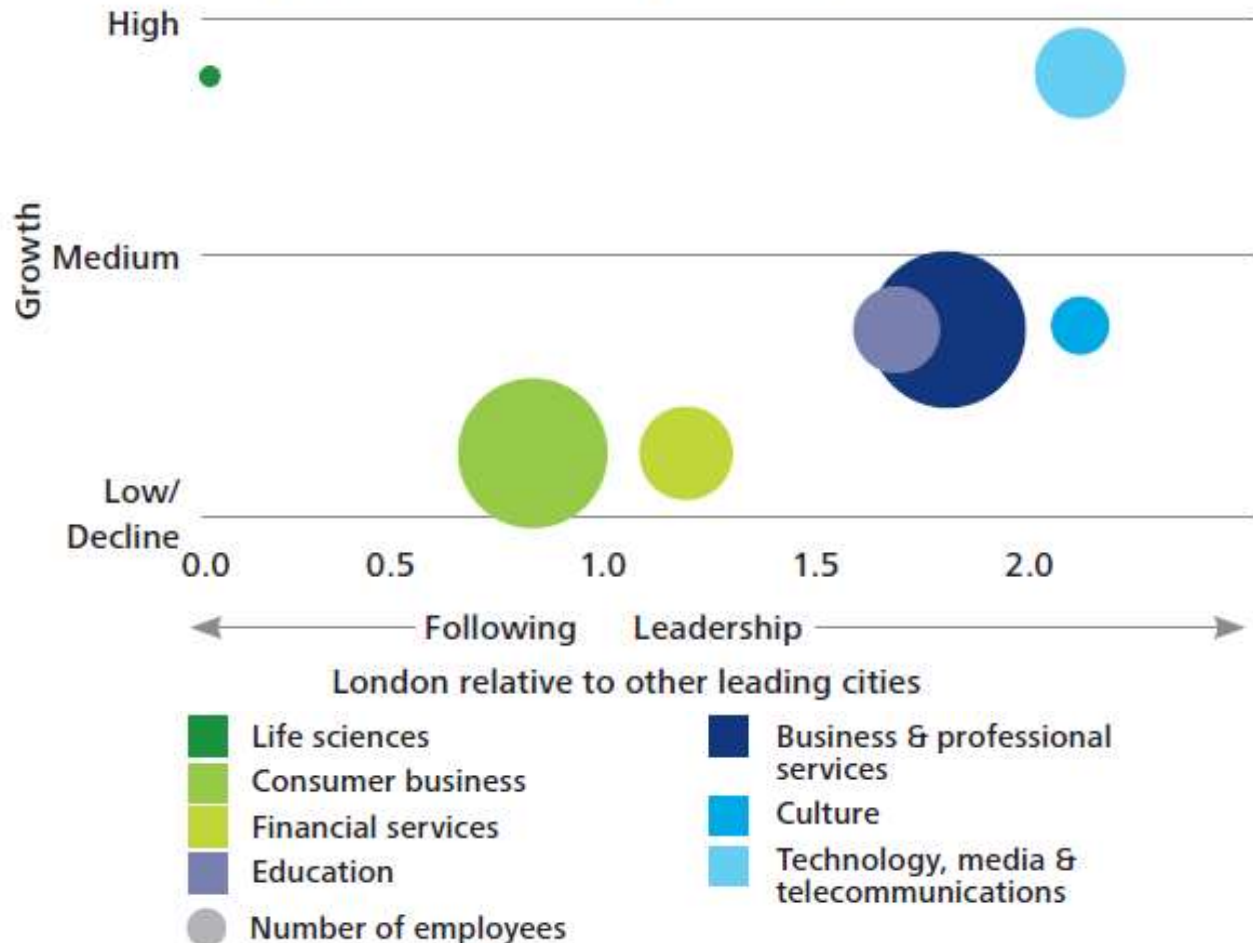
Figure 4. Projection of London working population in 2020 ('000)



London Futures

TMT expected to continue to see high levels of growth

Figure 5. Growth prospects by sector and London's global position



Deloitte 'Fast 50' 2013

An increasingly consolidation in London and the SE

TECHNOLOGY SECTOR IS IMPORTANT TO LONDON & SOUTH EAST
TECHNOLOGY FAST 50 WINNERS BY REGION



BREAKDOWN OF WINNERS BY TECHNOLOGY SECTOR



32%
SOFTWARE



24%
INTERNET



22%
TELECOMS



8%
GREENTECH



6%
ELECTRONICS



6%
MEDIA &
ENTERTAINMENT



2%
BIOTECHNOLOGY

Structural changes in retail

Changes will throw up new opportunities

Vacancy (finally) **starts to fall**
on the **high street** in 2014



E-fulfilment battle
will drive a **sharp increase**
in retailers' demand for
urban logistics
in 2014



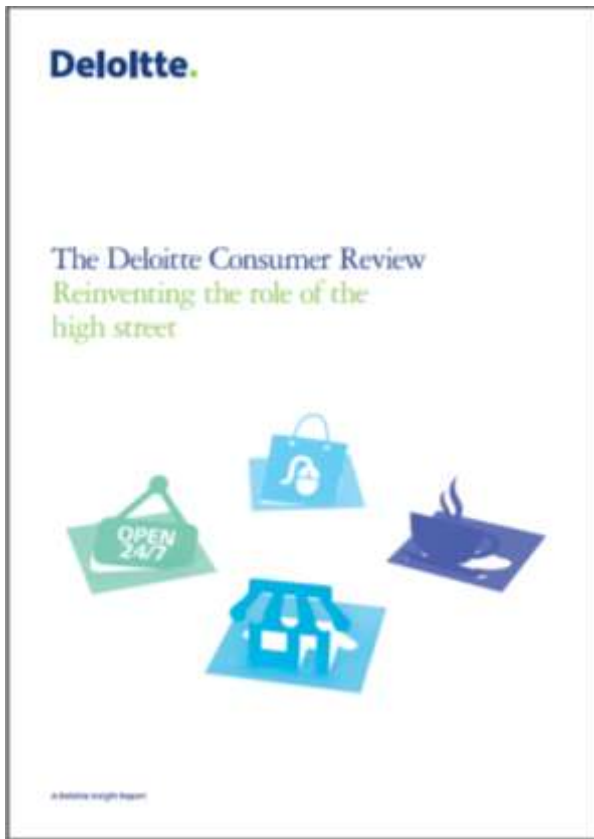
Deloitte.



UK real estate
predictions 2014
Expansion mode

The Deloitte Consumer Review

Reinventing the role of the high street



THE FUTURE?

The future will see high streets tailored to the needs and aspirations of the local population. The recipe for a success contains three key elements.



CONVENIENCE

The unique selling point:
local and instant access
to products.

EXPERIENCE

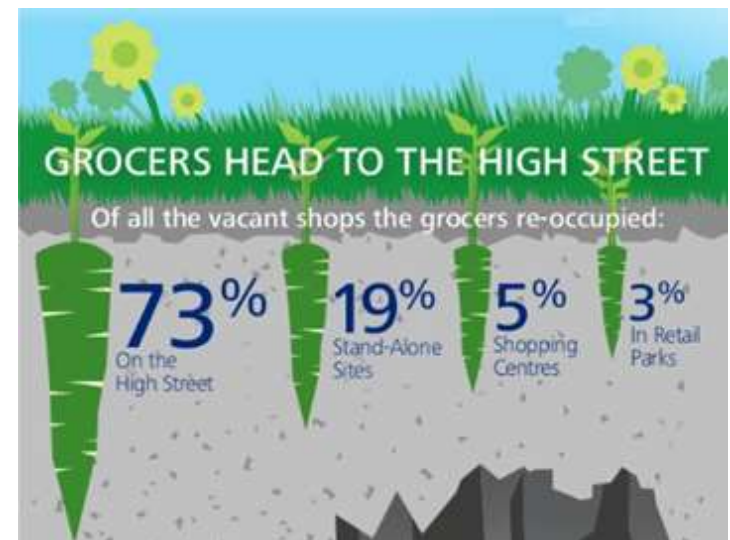
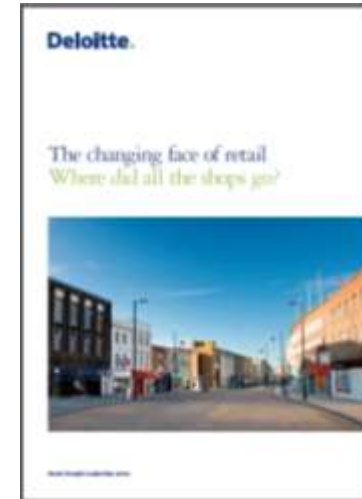
Create an overall high street
experience that cannot be
replicated online to attract
and engage with consumers.

OMNICHANNEL

Capitalise on convenience
and the enhanced experience
using digital technology.

Where have all the shops gone?

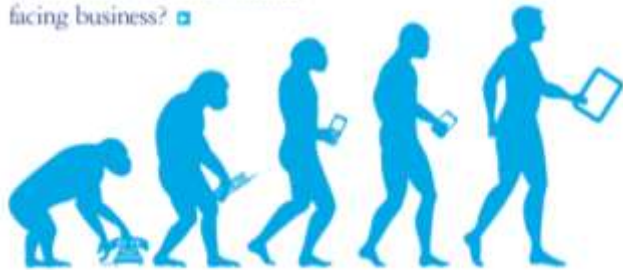
Convenience driving the high street 'recovery'



Digital evolution for consumer facing businesses

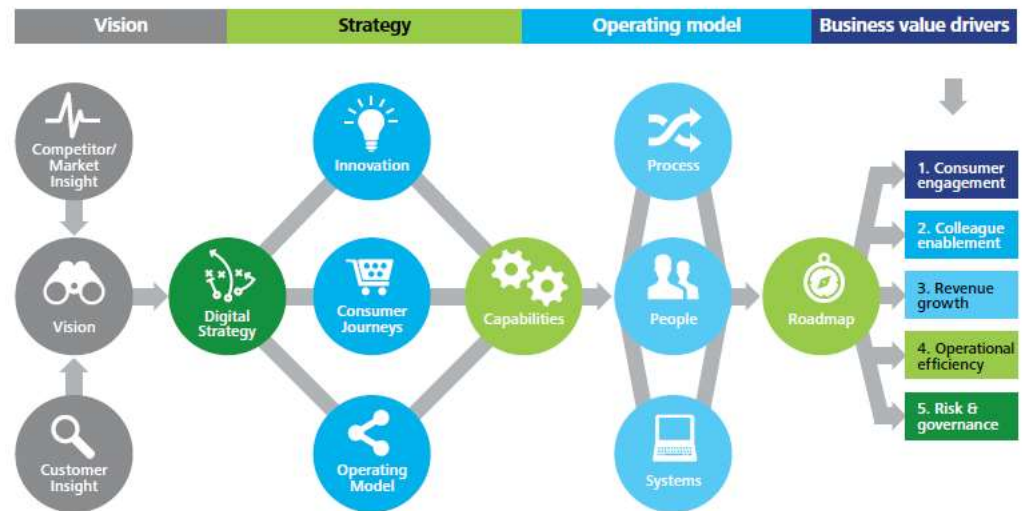
Deloitte.

Digital evolution
Where next for the consumer facing business? ■

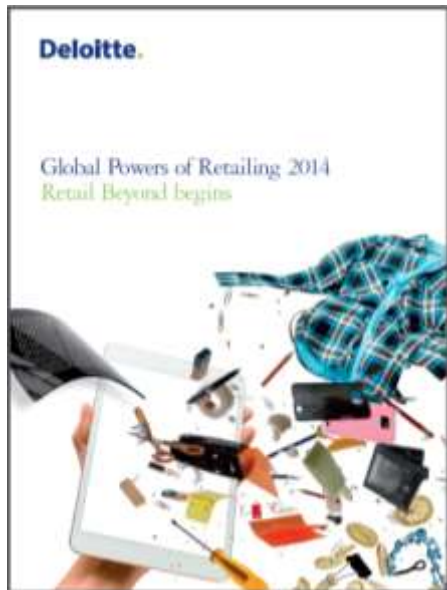


Digital evolution – A roadmap

The digital journey must be informed by a vision and strategy, however, given the rapidly evolving digital landscape it needs to be recognised that this will be fluid and will continue to evolve.



Looking to the next phase of digital disruption



	Yesterday	Today	Tomorrow	Beyond
 Awareness	Radio Television Print media	Billboards In-store promotions	Social media Digital marketing Targeted promotions	QR barcode Near field RFID
 Evaluate & select	Trial & error Media inserts & reviews	On-line comparison Samples	Social media Experience stores	Omni-channel Social collaboration Augmented reality Digital assistant
 Shopping experience	Brick & mortar Large format	E-commerce Click & collect Pure-play	Strategic Pop-up store Integrated channels	Small format Specialised 3D printing
 Point of sale	Cash register Card Printed coupon	Wireless card EFT Digital voucher	Phone transfer E-wallets Mobile POS Integrated POS device	Near field comms Cash-less Biometrics
 Service & advocacy	Community word of mouth In-store service	Media reviews Call centre service	Social media Ingrated channels Review blogs	Personalised service Multi-return points Integrated

Final thoughts

- London powering ahead...
- ...but an improving outlook for values & rents across regional UK
- Construction cycle remains low but increasing
- Digital disruption impacting all sectors

Further detail available on request from
aduggan@deloitte.co.uk

Corporate infrastructure
Emerging trends survey



the
Distinctive
audit



Corporate Infrastructure survey

In today's growth environment, what are the emerging trends?

Why?

- The new economic environment, combined with fast-moving flexible working trends and new technologies are starting to show some interesting impacts and interdependencies in the areas of real estate, people and technology
- These emerging trends will be of interest for those companies looking to either invest in any of these areas in the short to medium term and also for those responsible for planning, forecasting and budgeting

What?

- 15-20 question online survey
- Explores investment trends around the 3 key areas of Corporate Infrastructure (Real Estate, People and Technology) in the new growth environment
- Segmented results for occupiers of office, commercial and retail property with possible further segmentation by industry where meaningful
- Bespoke report and offer of a meeting with subject matter expert for all participants



Corporate Infrastructure survey

Survey question topics

Real Estate

- Lease vs buy trends
- Understanding true costs of maintaining investment in real estate
- How are today's workplace requirements changing?

People

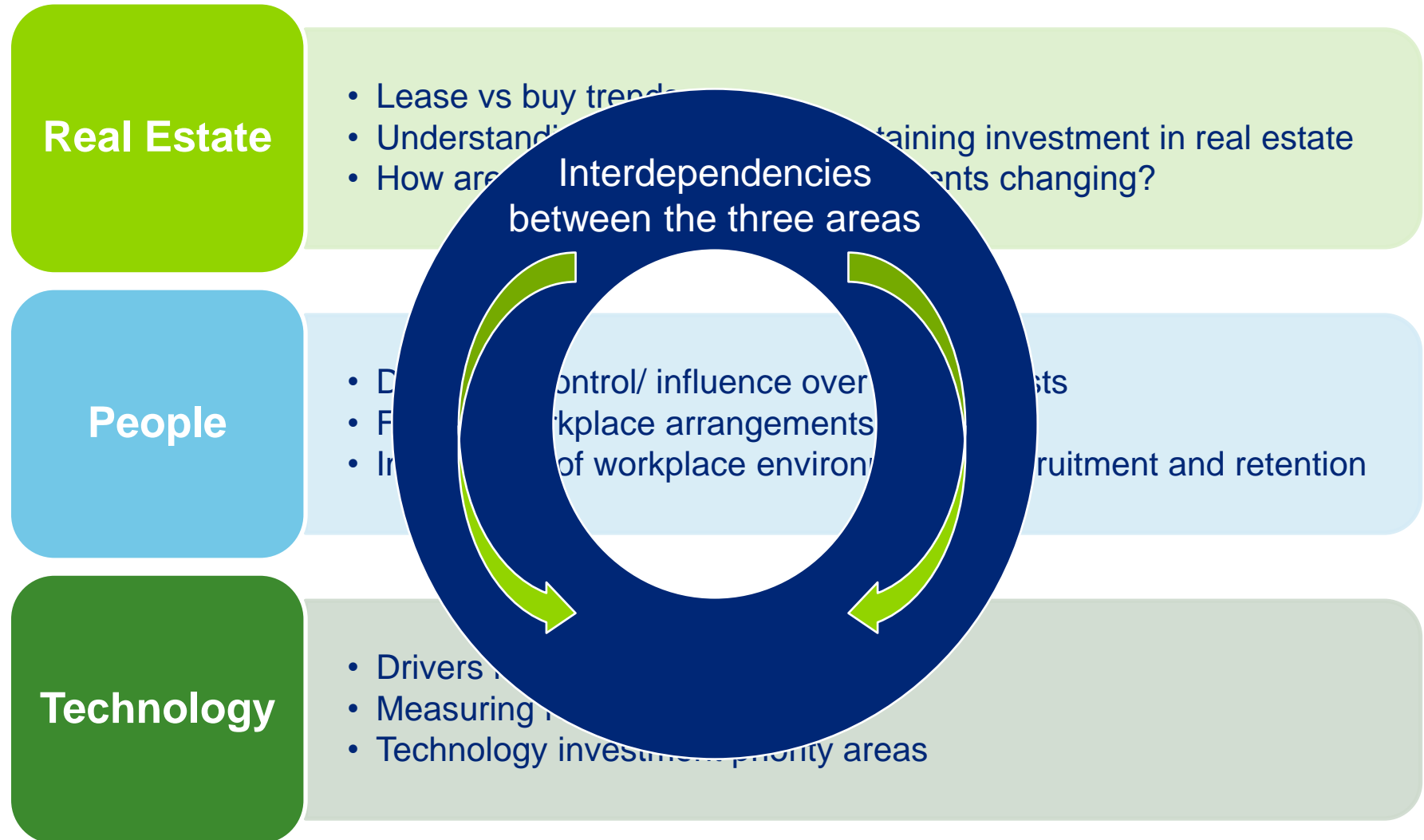
- Degree of control/ influence over people costs
- Flexible workplace arrangements
- Importance of workplace environment in recruitment and retention

Technology

- Drivers for technology investment
- Measuring return on investment
- Technology investment priority areas

Corporate Infrastructure survey

Survey question topics





Corporate Infrastructure survey

In today's growth environment, what are the emerging trends?

How?

- Link to the survey will be sent to all members of the Finance Club at the end of May, with instructions
- Speak to your local Deloitte contact or Kevin Schou (kschou@deloitte.co.uk) to be sure of your participation or to pass on any feedback

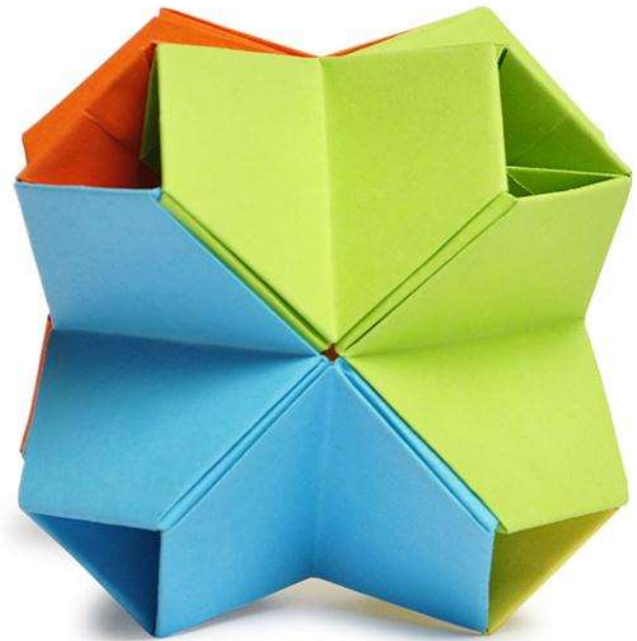
When?

- Launch end May
- Results July
- Bespoke reports available via your local Deloitte contact from August



Deloitte Finance Club
Accounting for real estate

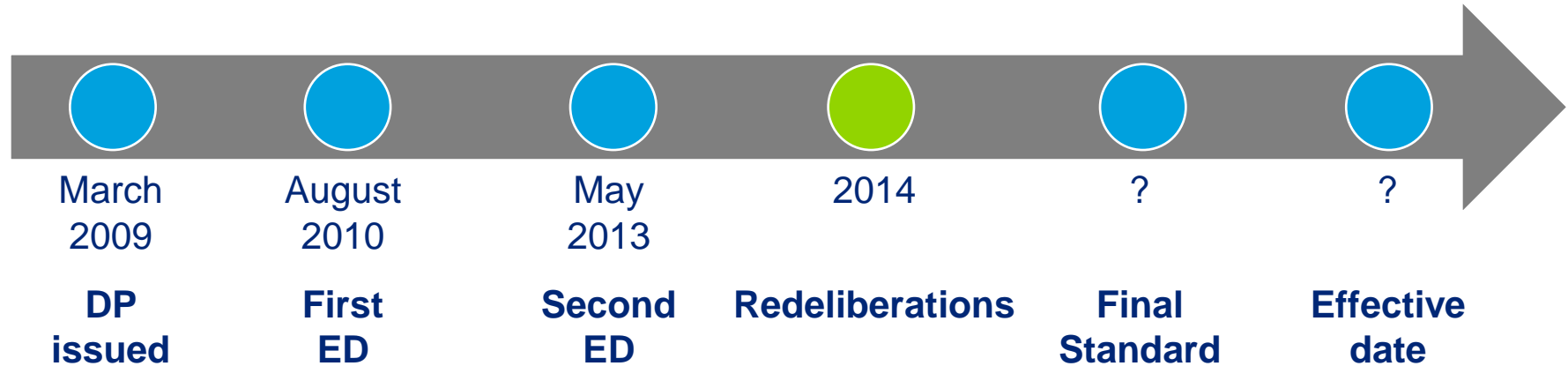
Sara Tubridy



Leasing update

Leasing update

Where are we now?



- Number of decisions made at March IASB/FASB meeting
- Redeliberations set to continue in future meetings
- Expected completion date yet to be determined
- Currently no plans for further exposure drafts prior to final standard

Leasing update

Decisions on lessee accounting at March IASB meeting

Leases are coming on balance sheet

Short-term lease exemption expanded – now consider whether lease term 12 months or less

Portfolio approach available to lessees (and lessors) for “small” assets. Exemption to be explored.

Single model (no ‘type B’) gives finance lease expense profile

Leasing update

Other decisions at March IASB meeting

Lessor accounting will be similar to IAS 17 (no receivable and residual approach)

Extension options included in lease term if “reasonably certain” (only lessees would reassess)

IASB and FASB Divergence:

- FASB still have 2 types of leases for lessees (type B giving straight-line expense overall)
- FASB not taking forward “small” asset exemption

‘Need to know’ and meeting minutes available at www.ukaccountingplus.co.uk



Future of UK GAAP update

Future of UK GAAP update

Where next for UK reporting?

Full IFRS

Standards issued by IASB, endorsed for use in the EU

- Mandatory for all listed Groups
- All companies can transition, at any time

The alternatives

FRS 100 – the framework

- Subsidiaries and parents of listed groups may adopt FRS 101 or FRS 102 or a combination of the two;
- Companies who have already optionally adopted full IFRS may switch back to FRS 102.

FRS 101 – a reduced disclosure regime

- Reduced disclosures for members of a Group reporting under full IFRS.

FRS 102 – a single UK GAAP accounting standard

- A single UK GAAP accounting standard, based on “IFRS for SMEs” but retaining some accounting treatment which applies under current UK GAAP.

Future of UK GAAP update

Key issues for real estate

Tenant incentives

Financial instruments

Property valuation

Taxation

Questions

Deloitte Finance Club

Upcoming programme

- Finance IT systems
Wednesday, 7 May 2014

- The Summer finance checklist
Thursday, 17 July 2014 – **NEW FORMAT: MORNING SESSION**

Deloitte Finance Club

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Resources:

- Deloitte Finance Club home page: www.deloitte.co.uk/financeclub
- UK Accounting Plus (formerly IAS Plus): www.ukaccountingplus.co.uk
- Deloitte UK Tax home page: www.deloitte.co.uk/tax
- Plan. Budget. Forecast.: <http://www.planbudgetforecast.com/>



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