UHY

global

ISSUE 4

CONTINENTAL HOTHOUSE

ALL EYES ON AFRICA'S FERTILE ECONOMY

COOL ROOMS
SMART HOMES GOING UP IN THE WORLD

DEAL DILEMMAS
SHIFTING FORTUNES OF CORPORATE FINANCE

CLEANING UP
BRIGHT FUTURE FOR ALTERNATIVE ENERGY

The network for doing business

IN THIS ISSUE

WORD OF WELCOME

I am delighted to introduce issue four of *UHY Global*, our twice-yearly business magazine that covers global topics with a local perspective. As a worldwide network with member firms in over 95 countries, we offer our national and international clients practical and insightful support in an increasingly complex and uncertain global economy.

Opportunity amid uncertainty is a theme that recurs through much of this issue of *UHY Global*. In our corporate finance perspective, we look at the unpredictability of M&A markets and how small and mid-market companies are benefiting from professional expertise in trades and public listings. Foreign direct investment in 2016 also threw up a few surprises around the world despite a global fall in value year-on-year.

Our regional feature considers opportunities coming out of Africa, once described as 'the continent of despair'. At January's World Economic Forum, businesses were advised that 2017 could be the year that Africa bounces back, and we take a look at a few countries that typify this mood of self-improvement, ambition and opportunity.

Since I introduced the last issue of *UHY Global*, uncertainties in world trade and policymaking have intensified, and a new US administration, with far-reaching influence on global matters, is so far proving rather unpredictable.

Despite this, I believe we will see further growth in 2017 as businesses continue to push an international agenda and search out new paths. For example, in our features on smart buildings and the alternative energy sector, you can read about two buoyant and essential industries set to grow significantly, around the world.

At a practical level, this means the role of trusted advisor, a role that falls on every UHY partner or manager, has never been more important for businesses looking to navigate these choppy waters – or to take advantage of new opportunities.

Typical of our best forward-thinking people is the managing partner at our member firm in Bangladesh, Syful Islam, who we profile in this issue. Syful is respected by clients and colleagues across the network for his nurturing of businesses to develop and expand, helping to build crucial national revenue and create employment for Bangladesh and beyond.

I hope you enjoy this issue of *UHY Global*, and perhaps learn a little about what defines us as a business and as individuals at UHY. I am optimistic about the future and I wish all our readers, clients and friends a prosperous year ahead.

Bernard Fay
Chairman, UHY International

TURNING TIDES FOR FDI

Long held as an economic barometer of both domestic performance and foreign appetite for internationalisation, FDI around the world – foreign direct investment – is currently proving unpredictable. While FDI inflows into some countries are as expected, others are entirely surprising. Following a post-crisis high in 2015 for levels of cross-border merger and acquisition (M&A) activity, 2016 data has not followed suit. Here we look at some of the highs and lows and delve beneath the headline figures.

GLOBAL DIP, LOCAL FLIP

According to economists at the United Nations Conference on Trade and Development (UNCTAD), total global FDI fell by 13% in 2016 compared to the previous year, a fall in value of some USD 1.5 trillion. Weak global economic growth and stagnant world trade volumes were exacerbated by political uncertainties. Developed and developing economies experienced a fall but regionally there are variations. Europe attracted nearly 30% less foreign investment compared to 2015 while flows into North America increased by 6%. Asia-Pacific inflows grew too, particularly Australia and Japan, through increased M&A activity and foreign lending.

The UK has also enjoyed an upward trend. An FDI analysis of 2015 data from 45 major economies, compiled by UHY, showed the UK lagging well behind the global average, attracting FDI worth just 1.8% of GDP (USD 50 billion in total). In 2016 however, post-Brexit vote uncertainty, anticipated by many to dampen enthusiasm for FDI, was offset by an unprecedented fall in the value of sterling and a subsequent surge of cross-border megadeals. These included, for example, USD 101 billion paid by Anheuser-Busch InBev for UK brewer SABMiller PLC; and a USD 32 billion buyout of ARM Holdings by Japan's SoftBank Group. The UK now finds itself ranked 2nd in the UNCTAD 2016 list of top ten FDI host economies, with inflows estimated at USD 179 billion.

GREENFIELD – A DEVELOPING STORY

While global uncertainty appears to be a major factor driving both dips and flips, the big numbers also include two very different indicators. The first is investment by name only – lending inflows to foreign subsidiaries and those cross-border merger and acquisition deals which frequently represent a shift in power of ownership rather than good news for the local economy. The second is local investment by foreign interests – the greenfield projects that create genuine new infrastructure, plant, offices and jobs from scratch.

All countries are concerned with how to encourage investment for growth and productivity. FDI is potentially a source of job creation, tax revenue and competitiveness (for example through knowledge transfer, new technologies and infrastructures), and it is frequently greenfield investment that delivers this.

Here, the starkest contrasts in investment are found in developing economies, which saw a 44% value drop year-on-year in cross-border M&A, but a 19% growth in greenfield activity. LATAM (+3%), Asia (+15%) and Africa (+52%) were key regional beneficiaries but at a country level there is no clear pattern of sustainability. Last year, based on strong 2015 data, there was more cause for optimism, and according to Courtney Fingar, editor-in-chief of FDi Intelligence (the FDI insight arm of the Financial Times news organisation) "greenfield FDI is continuing its tentative recovery phase". However, much of the growth in 2016 can be attributable to a few very large projects in a handful of countries, while most countries struggled to maintain or grow their greenfield FDI. Uncertainty and opportunity have never been more tightly woven together.

Nobuyuki Hara, managing partner of UHY member firm UHY Tokyo & Co., Japan, says, "FDI in Japan had remained flat since the financial crisis and the Tohoku earthquake disaster, but the government has ambitious plans to double inward FDI stock to JPY 35 trillion by 2020. Key to this is the Japan Revitalisation Strategy, which will provide tax breaks, fundraising assistance and improvements in patent processes and costs, for new headquarters and R&D bases established here by multinational companies." So while Japan's recent pick-up has been due in large part to equity investment, the future is very much built around greenfield, with a package of measures more usually associated with developing countries.

OUTLOOK

At a microeconomic level, there is a growing concern for manufacturing and extractive industries, whose greenfield project values dipped in 2016 by 9% and 46% respectively, reflecting the continuing challenges posed by the collapse of commodities prices. But in contrast, construction investment rose by 69%. Whether the twists and turns of FDI inflows around the world settle to a more predictable outlook in 2017 remains to be seen. UNCTAD suggests a potential 10% year-on-year FDI growth, based on economic basics; however, with European elections throughout the year, a shift toward protectionism in some quarters, ongoing Brexit negotiations and the US administration set to leave the Trans-Pacific Partnership (TPP) and renegotiate the North American Free Trade Agreement (NAFTA), you could say that all bets are off.

Sources: Global Investment Trends Monitor, February 2017 (UNCTAD); The fDi Report 2016 (fDi Intelligence); UHY International Study on 2015 FDI.

CONTINENTAL SHIFT

DOING BUSINESS IN THE NEW AFRICA

The 'continent of despair' or an untapped market eager for new products and services? Africa, it seems, can be both. Making the most of opportunities ahead of competitors is not a question of boldness, but of having an eye for detail beyond the headlines – and an ear for advice.

The continent of Africa has emerged as one of the fastest growing markets in the world, with imports rising around 7% a year for the last two decades. At this rate of growth, African countries could be spending USD 500 billion in the next 20 years. But many African countries still have serious problems – corruption, an informal sector that is often larger than the tax-paying formal sector, and trade deficits resulting from a low level of exports, in turn due to a dearth of larger manufacturers. One of the biggest challenges for any business looking to find partners, suppliers or investors is poor compliance with international standards.

Headline stories have largely focused on falling commodity prices, declining Chinese demand and political instability. Counter that, however, with predictions such as that of Mohammed Dewji, president and CEO of MeTL Group and one of the region's most successful entrepreneurs. Presenting to the World Economic Forum in January 2017, he advised businesses to look beyond the headlines and tipped 2017 to be the year the continent bounces back.

"Here on the ground, I am seeing something different," says Mohammed Dewji. "An environment where private-sector-led investment is starting to flourish, in large part thanks to government-led far-reaching economic and political reforms."

And here lies the secret to understanding the opportunities and risks Africa presents – in a continent of 54 very different countries, "on the ground" is what counts. For any company considering business within an African country, that means access to up-to-date local knowledge and expertise. It is this grassroots information that help businesses tap into the potential and gain advantage over those competitors who look only at the macro level.

RAISING STANDARDS

The message across the continent, however, is that small- to medium-sized enterprises are missing out on contracts and joint enterprises through a lack of compliance. Not only does this make partners and customers wary, but it also blocks access to cheaper financing from foreign investment.

"Joint ventures with foreign companies are few and far between, because local companies tend to fail at the due diligence levels, which makes them high risk," says Sam Thakkar, managing partner, UHY Thakkar & Associates, Uganda. "All it needs is for SMEs to become more innovative in their approach and they would be in a better position to expand their businesses. They would also open up more opportunities for external investors and customers."

Uganda is also not alone in recognising non-compliance as a major block to doing business and to economic growth. It is also not alone in seeing the start of change for the better. Among the other African countries now working to raise the bar are Mozambique, Angola, Ghana and Zambia.

DIVERSIFYING FOR THE FUTURE

While Angola has not had a good reputation for compliance and transparency historically, there have been changes, including tax and regulations reform. A newly developed accounting and audit board regulates financial operations and is just one step away from becoming part of the international standards boards.

"Africa continues to be a challenging, yet attractive, place to invest," says Armando Paredes, managing partner, UHY A Paredes e Associados-Angola Auditores e Consultores, SA, in Angola.

Angola's economy, he says, is driven by oil and has been hit by mismanagement of its fortune from its heyday and a lack of industry diversification. To remedy this, the government is now pushing for other sources of income, including manufacturing, farming and fishing. The promise is of new opportunities in many underdeveloped sectors, albeit that the high cost of entry and the bureaucracy make it a difficult leap for many businesses.

"For companies looking to move into Angola, the key is to have a plan in place for developing a local workforce and for forging partnerships," advises Armando. "SMEs need local expertise and that is really our forte – detailed information about the path to follow and the steps in whatever type of partnership a company chooses."

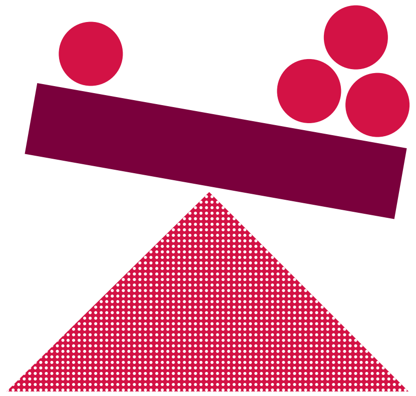
NEW STABILITY

Years of civil war between the government and the right-wing Renamo militant organisation have certainly not been conducive to doing business safely or successfully in Mozambique. But, says, Carlos Sitoe, managing partner, UHY Sociedade de Ensino e Consultoria (SEC) in Maputo, peace talks could herald a new era for the country.

"Mozambique actually experienced growth of around 8% between 2010 and 2014, but political instability over the last three years has halved our economic growth rate," says Carlos. "Current talks look promising and could see the economy move into growth again. Peace will create enormous opportunities for inward investments, both from Africa and internationally."

Carlos sees potential in significant changes to agribusiness in Mozambique, along with the exploitation of oil and gas resources.

"The government is now ensuring people can do business in Mozambique with fewer constraints," adds Carlos. "And we are playing our part by sharing information and carrying out training so that SMEs can improve their compliance with international standards and regulations."



Africa is the largest continent after Asia and has 54 independent countries with an estimated total population of 770 million. By 2050, the UN predicts there will be 2.5 billion Africans, about a quarter of the global population. Ten of the countries with the youngest populations will be in Africa.

MATCHMAKING 'HEALTHY' COMPANIES

"Uganda has seen stability now for over 30 years and the country intends to become a powerhouse for East Africa over the next 20 years," says Sam Thakkar. "There is new thinking on corporate governance, new standards that meet international requirements, and development to help Ugandan companies maximise their involvement."

Take oil and gas, which is expected to generate USD 25bn over the next seven to ten years. The Ugandan government is encouraging joint ventures, with the stipulation that 48% of each venture must be Ugandan-owned. SMEs in Uganda have just as much a chance of winning the multi-million dollar contracts as anyone else.

"We are already working with international oil companies to see how a professional firm like ours can help both sides ensure compliance. We have taken part in the review of the creation of a National Supplier Database and are talking to venture capitalists, private equity companies and individual investors in the UK, USA and other countries who are desperate to tap into the African markets. We will work with them to see how we can 'marry' them to healthy local companies. A similar drive is expected in agri-processing."

INVESTMENT POTENTIAL

Henry Djangmah, international liaison partner, UHY Voscon Chartered Accountants, Ghana, highlights oil and gas production, healthcare, agriculture, mining, tourism and financial services as some of the sectors with the most to offer business investors.

"The lack of compliance with international standards and regulations by SMEs is an issue in our country however, as this inhibits attraction of finance and external partnerships," acknowledges Henry. "This issue stems from the fact that firms tend to lack competency in corporate governance."

Meanwhile, Ghana's Ministry of Food and Agriculture is starting a number of projects to facilitate agriculture and agribusiness, and the government and donors such as the World Bank and the United States are promoting horticulture. There are opportunities too in tourism and leisure, and in what Henry describes as "one of the continent's brightest prospects" – financial services.

> "I don't think you can underestimate the value of local expertise, especially when it comes to introducing investors to viable investment opportunities."
>
> Henry Djangmah

"Our office offers training to our clients' finance staff, assistance in setting up internal processes and system audits to give them an advantage over their competitors," he says, adding that these services sit well alongside more specialised corporate advisory services for investors, such as mergers and acquisitions, due diligence and capital formation.

ADDING VALUE

"We see a lot of poor compliance with standards and regulations," says Kelly Mwansa, tax specialist at UHY AMO Certified Public Accountants in Lusaka, Zambia. "This also links to a lack of working capital and the high cost of interest to acquire it.

"At the same time, there is great potential for businesses that can add value to the copper industry, as well as prospects in agriculture and related areas, and in hydro and solar power generation and distribution."

The Zambian economy is highly dependent on the price of copper, so economic swings are common here. Zambia's central location is, however, a major advantage for trade with the rest of the continent, and the Zambian government is working on bilateral trade agreements with neighbouring Angola and the Democratic Republic of Congo.

"The Zambian government is working hard to create a better environment for business," says Kelly, "including the Investment Promotion and Protection Agreement (IPPA), incentives for firms investing in the Multi-Facility Economic Zone and PPP development opportunities."

LOOKING FORWARD

The business landscape has been changing fast, says Mohammed Dewji – the result of increased regional mobility, and rapid urbanisation and population growth, which have boosted demand for African-manufactured products and services.

"Doing business in Africa offers some unique obstacles, but also endless opportunities," says Henry Djangmah. "With fewer political struggles and economic growth rates now competitive with those of other developing regions, Africa is changing for the better."

Sam Thakkar agrees. "There are problems everywhere in the world now. The UK and Europe are grappling with Brexit, and the world is adjusting to the new US administration. Putting these issues together, I think many countries in Africa are looking very promising indeed."

With the public sector facilitating the establishment of Africa's biggest economic bloc – with the potential to culminate in a Free Trade Area spanning the Cape to Cairo – the next great investment destination for 2017 may very well be Africa.

PROGRESSIVE REFORM

According to the World Economic Forum, Kenya was the sixth fastest growing country in Africa in 2016. In recent years, its economy has benefited from the introduction of progressive business legislation, creating a more favourable environment for both local and foreign investors. Reforms introducing Special Economic Zones (SEZs) and the Business Registration Service not only provide incentives for investment, but have also made the process of doing business and complying with regulations easier.

DIVERSITY FOR STABILITY

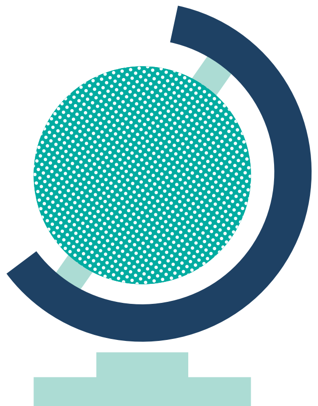
Long reliant on oil revenues and exports, Nigeria is looking to diversification as a means to develop a more stable and inclusive economy. The Economy Recovery and Growth Plan (ERGP), issued in March 2017, outlines private sector-driven economic diversification alongside government initiatives to strengthen the country's infrastructure. The IMF has emphasised the importance of moves to enhance the business environment, better support small enterprises and strengthen anti-corruption efforts to achieve this.

Visit **www.uhy.com** for a full list of our African member firms.

NATIONAL PASSION, GLOBAL REACH

SYFUL ISLAM ON AMBITION, ACCOUNTANCY AND ACHIEVEMENT

> *From a very young age I wanted to be an entrepreneur, in control of my life, and doing the things I loved.*



If anyone embodies the values of the people we celebrate in the worldwide UHY team it is Syful Islam, managing partner of UHY Syful Shamsul Alam & Co, Bangladesh, which has been ranked as the country's top audit firm.

Syful is respected across the network for the support he gives to young people entering the accountancy profession, his work with the Bangladesh government to shape laws and regulations, plus his belief that by nurturing businesses he is helping to build crucial national revenue and create employment for Bangladesh and beyond.

"From a very young age I wanted to be an entrepreneur who was in control of his life and doing the things I loved. I was naïve in those days and thought my strong leadership qualities alone would get me through, but I've since learned that nothing worthwhile is easy. Over time, I have got to where I want to be and I now believe that chartered accountants are the entrepreneurs of entrepreneurs!" says Syful.

"The important thing is that we give a lot back and that success is about the wider picture, not simply individual ambition."

EARLY DAYS

Growing up in rural Bangladesh, Syful loved being out and about in the countryside and was often scolded by his worried parents for not spending enough time on his studies. As a small boy his priorities were football, handball and swimming – "I was always busy having fun and I have many wonderful memories and no regrets," he says. "When I was a little older, I became more serious about my education and my career and I am glad that I started studying harder. I was always a pious child who abided by the rules of my religion which helped me to put my learning before my desire to have fun."

When Syful graduated from Bangladesh's prestigious University of Dhaka he already knew that he wanted to do something more than just a job – "I craved the independence of being a chartered accountant in public practice, but I also wanted to link my educational knowledge with my practical skills. Early on I knew that this job would give me opportunities to

contribute towards the development of our country's economy and create new opportunities for young professionals so that they could develop knowledge and working practices and so take our profession to ever more exciting heights."

Throughout his long career Syful has worked closely with the Institute of Chartered Accountants of Bangladesh (ICAB) which has given him a say in shaping government policy relating to the accountancy profession, business and various financial legislation.

"Working with parliament ministers and other government officers has been amongst my most enjoyable but challenging tasks," says Syful. "I am proud to have contributed towards laws and regulations about anti-money laundering, combating finance in terrorism, finance acts and other policies about tax, VAT and the capital market."

POSITIVE THINKING

Syful recognises that this is a challenging time for global politics but he feels that we are all capable of finding positive routes forward by working together. "We must have a single mindset about mutual development and innovative technology to navigate these changing times," he says. "In general our world leaders agree on much more than they disagree on and this has to give us hope."

Aside from his work on the political stage, Syful takes enormous pride in his role as a public accountant."The thing that keeps me excited on a day to day level is the various audit and consultancy engagements that we perform. This gives my whole team a unique opportunity to support others in developing their businesses by nurturing and guiding them to be successful, and so to help our government to generate revenue and employment opportunities."

Alongside his 'day job' Syful has worked with many businesses as a board director, including major national banks. He is a longstanding council member and president of ICAB, as well as a member of its various committees.

"My crown jewel," says Syful, "is the Memorandum of Understanding (MoU) that I helped to create between ICAB and the Institute of Chartered Accountants in England and Wales (ICAEW) – a crucial partnership that confirms a mutual recognition of membership between both institutes."

ONE FAMILY

Syful knows that without a great team around him and a host of inspiring people to learn from, he would never have achieved as much as he has. "I take the values I have adopted from my own heroes and I try to lead by example. If I can keep my staff interested in the quality of the work we produce every day, at the same time as making sure that our clients know they are getting the very best service, then I am happy."

"Our firm is a very happy one and we act as one big family. We take care of each other both professionally and on a personal level which has a very positive effect on team morale and productivity. Most of our work comes to us through client referrals which is always gratifying. I am immensely proud that my firm has been ranked the country's best audit firm in the latest Bangladesh Bank ranking."

Assessing his future, Syful is keen to introduce more worthwhile initiatives to sustain Bangladesh's economy, to increasingly strengthen his country's position as a global player, to encourage the best of Bangladesh's brightest new accountants to join his firm and to keep speaking plainly about moves and inspirations that he and his colleagues can introduce to reinforce his country's growing influential status.

At home Syful is a devoted family man who recognises the importance of achieving a successful work-life balance. "Every moment I am not working I am with my family (*pictured above*) and nothing compares to the pleasure they give me. My children Lamia, Afee and Yeamsy are my world as is my wife Pipa. We often go out for meals together and regularly see films. We are also all into sports and so we play table tennis and other games together. Despite my children being young adults now, I always invite them to join me and my wife on foreign tours and I love it when we can all travel together."

"I feel nostalgic already for the times when my children will develop their own lives and not want to be such a big part of our family's togetherness but they know I will always be there for them, whatever the circumstances," says Syful.

Relationships and their sustainability are at the core of everything that matters to Syful, both at work and at home. "Family is a definite," he says, "but I would add that the relationship my small member firm in Bangladesh has with its global UHY colleagues is my lifeblood too. The network allows all of us to develop in our own way whilst supporting and complementing each other so that we can grow as one. This is one of UHY's most unique and precious brand factors."

To find out more about UHY Syful Shamsul Alam & Co visit **www.ssacbd.com** or email **syful@ssacbd.com**.

SMART BUILDINGS REACH FOR THE SKIES

THEY ARE EFFICIENT, CONNECTED AND COOL – AND CONSTRUCTION IS BOOMING

Ask somebody what constitutes a 'smart home' and they might talk about a central heating system controlled remotely by an application on a mobile phone, or a fridge that texts its owners to warn about milk approaching its 'use by' date.

While both of those are examples of smart home technology, they barely scratch the surface of what a smart home can entail. A universally accepted definition of the term is hard to pin down, but it is commonly understood that a smart home, as opposed to a home with one or two pieces of smart technology, is a building that utilises an ecosystem of connected devices to automate a wide range of domestic activities.

Smart TVs, speaker systems and thermostats are in the vanguard of the smart technology movement. For example, many consumers have invested in wifi-enabled heating systems that can be controlled remotely via mobile app, allowing them to turn the heating on at home when they leave the office.

A GROWING MARKET

But these are small beginnings for a market that Transparency Market Research predicts will grow to USD 21 billion in 2020 (USD 4.4 billion in 2013). To meet that target, the piecemeal adoption of individual smart home technologies will be replaced by a more systematic approach that brings automation to every aspect of home life, from entertainment and security to sustainability and comfort.

Increasingly, homes will be designed and built with these smart features in mind.

David J Burns, MBE, director of UHY Saxena, UHY's member firm in the United Arab Emirates (UAE), says that the process is already underway in Dubai and other UAE cities. The UAE smart home market is expected to grow by nearly 15% annually between 2016 and 2022.

"In Dubai, a smart home means automation of everything and control of the technology by mobile phone," says David. "The Internet of Things (IoT) is developing at a rapid rate and nowhere more so than in Dubai. We are a hotspot here for smart home building because homes tend to be built new rather than retro-fitted, meaning smart home technology can be designed into buildings at the planning stage."

Sean Heckford, chairman of the Middle East chapter of CoreNet Global, the association of corporate real estate professionals, identifies two main drivers behind the increasing ubiquity of smart home technology in the UAE. "Smart home solutions connected to the IoT are constantly being presented to differentiate one high-end development from another," he says. "There is a very prevalent snobbery when it comes to gadgetry in the UAE. It is an affluent place and there is always a need to be first, biggest and best."

But while comfort, convenience and a desire to appear more technologically savvy than your neighbours are partly pushing smart home construction, Sean thinks that another factor is even more important. "The UAE has a smart approach to buildings in general, primarily because of the correlation between smart and sustainability," he says. "Many sustainability initiatives have been launched in Dubai over the past decade, the most recent of which being the Smart Dubai initiative. Residential developers are actively encouraged to comply with its guidelines."

POINTS OF DIFFERENCE

The sheer quantity of new construction in the UAE makes it something of a test bed for smart home technology, and the patterns emerging in Dubai are likely to be repeated around the world. The piecemeal installation of individual smart home technologies by consumers is increasingly being matched by the systematic construction of smart homes, hotels and offices, driven by building companies wanting to add points of difference to high-end developments and governments pushing sustainability agendas.

That pattern is also discernible in the United States, another hotspot for smart home technology. In 2017, American consumers will buy more smart home systems than anybody else, and the US is also home to companies that increasingly push the boundaries of what a smart home can mean.

One such company is Fluxus, a client of UHY LLP in New York. Fluxus has created a prefabricated housing system uniquely designed to be sustainable in its production, construction and use. As one example of that, Fluxus uses just nine advanced and standardised components, each performing multiple functions.

"In the Fluxus System, passive building design principles are implemented to minimise energy use, collect renewable energy and sustainably manage water and waste," says Fanyu Lin, Fluxus' chief executive officer. Fluxus housing is the opposite of high-end, consumer driven smart home developments, and current target markets include post-disaster and conflict housing, affordable housing for the regeneration of failing neighbourhoods, and student housing.

But it is smart nevertheless. Fluxus housing, customised for local conditions and aesthetics, can be implemented quickly and cheaply, using advanced cloud-based computerised systems for the streamlined planning, design, construction and management of projects. The Fluxus System is also designed to smoothly incorporate other smart home technologies from the outset. "It can build homes with smart home devices, appliances, technology and infrastructure that can readily sense, understand, respond to and gradually anticipate users' needs," says Fanyu. She adds that the system allows for the easy incorporation of sensors that monitor and adjust heating, lighting, ventilation, water consumption and security settings.

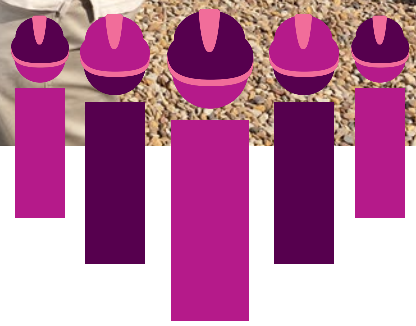
Fluxus is an emerging company and has the support of UHY LLP. "UHY LLP in New York is playing an instrumental role in the success of Fluxus as our consultant, helping with business development, financial planning and public relations," says Fanyu. "They provide significant value-added services and help in the successful process of establishing our company via leveraging of experiences, resources, and partnership opportunities."

> "There is a very prevalent snobbery when it comes to gadgetry in the UAE. It is an affluent place and there is always a need to be first, biggest and best."

PUBLIC SUPPORT

With UHY LLP's help, Fluxus is in a position to benefit from the opportunities that the smart building boom affords. The smart home markets in Dubai and New York are clearly different, but are following a similar path. In both the US and UAE consumers are driving the uptake of gadgetry that controls entertainment systems, appliances and heating, while technology that delivers more sustainable housing is being actively encouraged by local and national authorities.

In Singapore, another smart home hotspot, this status is being driven largely by consumers demanding connected entertainment and security systems. Kelvin Lee, partner at UHY Lee Seng Chan & Co in Singapore, says, "According to our technology experts here, government incentives have made little difference to the take up of smart home technology."



This contrasts strongly with New York, where Fluxus pilot projects and others are being supported by the New York City Economic Development Corporation, which offers tax benefits, access to financing, and assistance with the formation of strategic partnerships.

In many countries, authorities and companies are simultaneously realising that smart buildings offer long term economic benefits too. A boom in smart hotel construction in Spain is being driven by a post-financial crisis desire to cut operating costs, alongside consumer preference and government incentives.

"Without any doubt, ecology and sustainability are now on top of every agenda, as part of the social corporate responsibility strategy of companies," says Miriam López Jadraque, national marketing director for the Spanish UHY member firm, UHY Fay & Co.

"It is clear that new norms and rules will promote sustainable developments and that hotels choose this route because, in the end, it has positive economic effects. Sustainable hotels can make major savings in water consumption and electricity use amongst others, but also gain competitive advantage. They fulfil the public demand for products manufactured or provided by companies that are socially responsible."

SUSTAINABLE ADVANTAGE

UHY Fay & Co provides accountancy services for the Fuerte Hotels group, a leader in the sustainable tourism market. All the group's new hotels are built using bio-climatic design principles, which take advantage of natural resources to reduce environmental impact. One example among many is the positioning of hotels to make the best use of natural light, significantly reducing power consumption.

New Fuerte hotels are also fitted with what the company calls 'the robot'. According to José Luque, general manager of Fuerte Hotels group, "this is a cutting-edge software system that controls all water and energy consumed anywhere in the hotel. Thanks to this system, we can find out about energy demand levels at any given time and adjust parameters to improve efficiency."

Like others in the business of smart buildings, José believes smart hotels offer a series of benefits. They help companies cut costs, and local and national governments meet carbon reduction targets. At the same time, they are attracting a new generation of tourists who want comfort and style but at minimal environmental cost.

"As long as the building sector is in good health there will be plenty of opportunities for the growth of smart buildings," concludes Miriam López Jadraque. "There is a clear return on investment and those left behind risk losing competitive advantage."

And that is perhaps the secret of the smart building boom, and one that suggests it is here to stay – driven by a perfect storm of powerful forces from technology-obsessed consumers and environmentally aware tourists, to companies and governments with long-term financial and ecological targets to meet.

For more information about UHY's capabilities, email the UHY executive office, **info@uhy.com** or visit **www.uhy.com**.

OPPORTUNITY IN UNCERTAIN TIMES

ARE THE M&A HIGHS OF 2015 ONCE MORE IN REACH, DESPITE UBIQUITOUS GLOBAL UNCERTAINTY?

While 2015 was a massive year globally for big-ticket initial public offering (IPO) and merger and acquisition (M&A) activity, 2016 started much more slowly, with political and economic uncertainties around the world dampening previous enthusiasm for deal-making. Data for 2016 suggests there was an 18% M&A fall year-on-year to USD 3.8 trillion. But things are picking up.

The second half of 2016 proved more buoyant: global change to private equity buyouts recorded a five-year high, global M&A set a new monthly record in October at USD 600 billion; and cross-border M&A in 2016 has held up well. According to analysts at Dealogic, and Mergermarket Group, this upswing is set to continue, and 2017 year to date volumes look promising, so we asked a few of UHY's corporate finance (CF) specialists across the international network for their views, particularly regarding mid-market businesses.

US COMES UP TRUMPS

Where better to begin than in the US, where pre and post election uncertainties have unsettled world markets and leaders. Has the country's new administration blunted the appetite for deal-making? Not according to Steven McCarty, managing director at UHY Advisors Corporate Finance, LLC, Detroit, Michigan.

"2017 has started well in the US with January deals up 7% year-on-year. But it is not a rush to put deals together quickly because of any perceived uncertainty around the Trump administration. In fact, many business owners and CEOs that we work with feel quite confident that the economic environment will remain positive, at least for the next year or so."

This is a confidence borne of several circumstances including pro-growth corporate tax changes, less regulatory intervention that could ease completion of cross-border transactions, and the Trump administration's tax reform and infrastructure spending policies. "These factors should give a healthy lift to the US economy and may allow the Federal Reserve to pick up its pace of policy normalisation," says Steven.

"Many investment banks agree – Deutsche Bank, for example, has raised its US GDP forecasts."

WHAT ABOUT THE MIDDLE MARKET?

There is little doubt too that a number of megadeals contributed to a healthier 2016 than had been forecast, and also provided an 11-year-high January across the world. But beyond the headline numbers, has the global M&A volatility of the last 12 months made any difference to mid-market businesses? Views are mixed.

"Small and medium enterprise (SME) acquisitions tend to be mostly national, rather than international," says Paul Mencke, M&A partner at UHY's member firm in the Netherlands, Govers Accountants/Consultants. "In the Netherlands, with our continuing low interest rates and an experienced entrepreneur base, we see a steady level of mid-market M&A activity and have not been impacted by last year's initial decline elsewhere. The tech sector is also looking good so we expect some positive movement here."

In the US, a number of factors have combined for the benefit of middle market M&A growth, as Steven McCarty explains. "High levels of cash on balance sheets, relatively cheap debt and flexible financing options that have made their way to the middle market, all allow for more financially complex transactions, nationally and internationally," he says.

THE BREXIT EFFECT

Few nations had as many ups and downs in 2016 than the UK. Uncertainty over its EU referendum vote prior to June – and afterwards – put a firm brake on domestic deal-making, according to Laurence Sacker, UHY Board director and managing partner, UHY Hacker Young, London and Nottingham, UK.

"Our middle market seemed to want to wait for the outcome of the vote before deciding whether to engage advisors and push 'go' on a business sale," he says. "Following the result, a number of deals that were in-process ground to a halt, as buyers waited for the dust to settle and the new dawn to begin. I'm not sure the deal flow has fully recovered yet, though many of our clients' deals that had stalled are now back on track."

A consequence of the UK vote was an unprecedented fall in the value of sterling, making British companies an attractive target for foreign investors. Indeed, two deals alone (the sale of SABMiller and ARM Holdings) added over USD 130 billion to the UK's investment inflow. However, Laurence advocates caution. "Future access to the single market is the key uncertainty. In the UK, the service sector is being hit hard – and that accounts for around 40% of our economy. With a weakened currency and low interest rates there are clearly opportunities to invest in the UK but caution is also needed until EU market access is determined."

It remains to be seen how the Brexit negotiations, coupled with the outcome of the snap election in June 2017, will influence future deals in the UK.

CHINA

Despite these important considerations, a deal is a deal, and indeed it is cross-border M&A that has proved most resilient in 2016, falling only 3% versus 2015 against a total market drop of 18%. Average deal size has increased too, albeit modestly, against an all-deals fall of 12%, and much of this success can be attributed to China's continuing outreach.

"We are seeing huge interest from China looking to acquire assets and footholds in the EU and the UK," says Laurence. "Here, the interest is in business and commercial and residential property, and it ranges across all sectors and sizes of investment." The transition of China from a state investment-led economy to a consumer-driven one, coupled with the country's need to reach out and secure natural resources from elsewhere, has created a flurry of activity both across the EMEA region and closer to home.

Mark Nicholaeff, UHY Board director and partner at UHY Haines Norton (Sydney), Australia, is busier now than ever. His firm is licensed to take businesses on to the ASX (Australian Securities Exchange). "We have seen a significant upturn in deals, including several Chinese (and Indian) investors," says Mark. "Software, agriculture, mining and engineering sectors are providing the impetus. Mineral company listings in particular are attractive as transport costs within Asia-Pacific compare favourably to Brazilian or African alternatives."

GOING TO MARKET

Many commentators expect a lot more IPOs (initial public offerings) in 2017 as global political and economic clarity begins to return. As Mark indicates, Chinese investment and listings on the ASX are rising, and similar activity is evident elsewhere, not least in Africa. In Uganda, a second, more advanced securities exchange has launched – the ALTX Exchange – which is faster and more efficient than the original Uganda Stock Exchange and can handle large daily volumes.

Sam Thakkar, managing partner, UHY Thakkar & Associates, Certified Public Accountants, in Kampala, is excited at the investment opportunities this will bring to the Ugandan middle market. "We now have a real platform for SMEs to go public, which in turn will reassure foreign investors of the compliance of those listed companies," says Sam. "In turn, that will reduce or eliminate the heavy cost of borrowing and accelerate growth."

Compliance with the regulations demanded of a listed firm in Uganda is critical for future joint ventures or inbound M&A, but that is not all. Sam is working with both the ALTX Exchange and Ugandan businesses to get them investment-ready and to list in 2017. He cites the oil and gas sector as a priority. "The involvement of private corporations such as Tullow Oil, Total E&P and CNOOC (a Chinese oil company) has meant serious revision of standards and training to meet their international requirements."

In the UK, Laurence Sacker and the CF team at UHY Hacker Young also understand that it is not only in developing economies where standards may need to be raised. "We have a few AIM (alternative investment market) IPOs on the way now, or discussing terms," says Laurence. "The London Stock Exchange is always rigorous in its appraisal – and often sanction – of AIM firms and their nominated advisers (Nomads), where rules are breached. Lately there have been weaknesses in due diligence and life is certainly tougher for Nomads. It's hard to say whether heightened risk has been a cause; but as a result, Nomads are now more cautious."

Working with middle market clients ahead of planned listing is also on the UHY Hacker Young agenda. "We might work with clients for a year or more of preparation and grooming. Developing business plans, advising on board appointments, producing robust financial data and – if it is required – helping them to raise funds. After the event, we can advise on communication strategy and the preparation of publishable data."

> "It is true that private equity investors generally stay with the established top firms."

PRIVATE EQUITY

In Uganda, Sam Thakkar is also talking to venture capitalists and private equity companies in the US, the UK and other countries who are keen to tap into African markets. "We aim to see how we can 'marry' them to healthy local companies; we are expecting further exploration works to be conducted this year by the IOCs (international oil companies) and tenders will be put out soon to identify which businesses here can meet their requirements."

Sam's approach is shared by Paul Mencke in the Netherlands, where working closely with PE houses is essential to eventual M&A success. According to Paul, "It is most important that we know the buying company and their expectations towards the target company. We want to understand the track-record of the buyer, and of course we insist on a thorough briefing. In this way we can deliver a bespoke approach."

With a majority of global big-ticket PE deals handled by the Big Four accountants, Paul's approach for the middle market is different. "It is operations-driven from our side, not the general, legal-driven approach of the Big Four."

Laurence Sacker in the UK, agrees. "It is true that private equity investors generally stay with the established top firms, but it is possible to break into that circle if you are able to introduce investment opportunities to them," he says. He believes that good opportunities open doors, even if they are not completed deals. "Our sweet spot at UHY Hacker Young tends to be deals up to GBP 50 million (USD 66 million) and at that level we offer the same quality of work for lower fees than a Big Four firm would. So certainly the middle market and SME trades would benefit."

BUYING AND SELLING CROSS-BORDER

With cross-border deals set to continue their solid global performance through 2017, it is no surprise that UHY member firms are anticipating an increase in opportunities. The network has firms in nearly 100 countries, and has an important role to play in ensuring that middle market business can take full advantage of potential foreign investment when their time comes to sell. Mark Nicholaeff from UHY Haines Norton explains.

"One of the most important features of a network like UHY is the ability to introduce corporate finance opportunities in one territory to advisors in many other territories. In our case too, a worldwide intranet makes secure sharing of confidential information between UHY member firms quick and simple.

"On many occasions, vendors expect that by including international buyers they have the potential to add significant value to the ultimate deal – and there are industries and sectors where this often applies; for example, technology, oil and gas, or manufacturing. But it's not always the case, because as the deal size gets smaller, the likelihood of an international player investing becomes smaller too."

The last word goes to Steven McCarty in the US. "What Mark says is true. The added layer of complexity that comes with a cross-border transaction means there is a critical deal size below which the cost:benefit ratio might no longer make sense. But for clients with a sustainable deal size, wherever they are around the world, the value of having support, opportunity and expertise from a global network like ours is significant and substantial. We will certainly play our part in helping the positive predictions for 2017 to come true."

Data sources: Dealogic Insights **www.dealogic.com**; Mergermarket Group **www.mergermarketgroup.com**

For more information about UHY's capabilities, email the UHY executive office, **info@uhy.com** or visit **www.uhy.com**.

TAX IN GLOBAL SPOTLIGHT

2017 is turning into a landmark year for international tax initiatives. Making the headlines are new sales tax introductions in India and the Middle East, and the next step in the OECD/G20 anti-BEPS project for tackling corporate tax avoidance around the world. In this news roundup we also report on the ground-breaking new IAASB auditor's reporting standards which are now rolling out to over 110 countries.

GCC INTRODUCES UNIFIED VAT AGREEMENT

Following the signing of the Unified Value Added Tax (VAT) Agreement in March, VAT legislation is expected to be implemented in all Gulf Cooperation Council (GCC) countries from January 2018.

In a region that has long relied on its oil and gas wealth, the introduction of VAT at a standard rate of 5% in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) is part of a wider move to diversify sources of income. Reducing dependence on the energy sector and looking to alternative sources of revenue are seen as crucial to protecting public spending in the face of unstable oil and gas prices. The International Monetary Fund (IMF) estimates that GCC-wide VAT at a rate of 5% could raise up to 2% of GDP across the region.

There is also a general agreement that introducing indirect taxation will bring GCC countries more in line with global taxation practices, and will provide an opportunity to create tax systems with an emphasis on fairness and transparency.

In order to protect micro-SMEs – seen as essential in enabling diversification in the region – VAT registration for businesses with an annual turnover of USD 50,000-100,000 will be optional in the first instance.

PREPARING FOR COMPLIANCE

As indirect taxation is a new concept in the GCC region and tax issues have generally been low on the agenda for businesses operating locally, the introduction of VAT heralds the need to embed new systems to facilitate compliance.

For many businesses, compliance is likely to require substantial investment, not least in accounting and financial management systems. However, the challenges are multiple.

Merla Lenihan, business development manager at UHY Ammo & Co in Qatar, thinks that the issue of compliance is more than just an operational issue for local businesses. "Not only are businesses working with a short timeframe to implementation, but they are also looking at a cultural shift in terms of dealing with taxation," she says. "There are operational impacts for business processes and technology, but organisational mindsets may need to change too."

Abeer Syed, audit and assurance manager at UHY Saxena in the UAE agrees. "All business owners, big and small, will need to implement systems to improve their management of finance and book-keeping. It is vital for firms to ensure now that they have the right mix of technology and human resources in place."

TAX CHANGES SET TO CONTINUE

The Unified VAT Agreement is just one new tax policy to be implemented in GCC member states, with the likelihood of more to come.

Kuwait introduced a standardised 10% tax on corporate profits in 2016, marking a significant shift in policy. Kuwaiti firms are now subject to the levy on the same basis as foreign businesses operating in the country. Looking at the GCC region more widely, the ICAEW see the broader application of tax on corporate profits as an obvious additional source of government revenue.

Foreign workers and their dependents in Saudi Arabia will be subject to a levy of SAR 100 per dependent per month from July 2017, rising to SAR 400 by July 2020. "The situation is also changing for businesses employing foreign workers," says Syed Faris Ur Rahman, senior auditor at UHY Abdul Jabbar in Saudi Arabia. "Businesses employing more foreign than Saudi workers have always been subject to a monthly fee, but this will now also apply to businesses employing fewer expats than Saudi nationals." The monthly fee paid by businesses employing more foreign than Saudi workers is set to increase to SAR 800 by 2020.

The so-called "expat levy" is expected to raise SAR 65 billion by 2020, although there are fears that it will negatively impact the private sector and may affect the attractiveness to foreign nationals of working in Saudi Arabia.

Although GCC countries have long resisted the introduction of personal income tax, the ICAEW suggests that the use of tax measures to raise revenue seems increasingly likely for non-nationals based in the region. The debate on imposing tax on remittances to foreign workers is ongoing.

For more information please contact the respective member firms in the region – visit **www.uhy.com** for details.

NEW AUDITOR'S REPORT GOES GLOBAL IN 2017

Company audits for financial years ending December 2016 onwards will now follow the new format set out by the International Auditing and Assurance Standards Board (IAASB) in their new and revised Auditor Reporting Standards and ISA 720 (Revised). Following implementation last year in a number of early-adopter countries, including the UK, Netherlands, South Africa and Australia, 2017 will see the new auditor's report style implemented in over 110 countries that use the ISAs.

The changes – mandatory for listed entities – are designed to enhance auditor's reports for investors and other users of financial statements. To date, companies, stakeholders and auditors have given the new reporting standards a broadly positive welcome.

Jerry Townsend, regional managing partner, UHY LLP, Missouri, US, is chair of UHY's global audit special interest group. He welcomes the IAASB's changes: "The new reporting model creates a greater level of transparency for a company's audit. It allows the auditors an avenue to communicate key issues that are relevant to a wide range of users of financial statements. The Key Audit Matters section will enhance this communication."

AN INDIAN REVOLUTION

Marking one of the most important economic reforms in the country's history, Goods and Services Tax (GST) is set to be implemented in India in July 2017. Variously described as "tectonic", "a game-changer" and "likely to revolutionise the way India does business", GST replaces a swathe of indirect taxes levied at state and central levels, rationalising the tax structure, simplifying processes and increasing transparency.

This reform is seen as a positive step for the Indian economy. With levies ranging from 0%-28%, revenues are expected to raise USD 15-20 billion during the first year, with an anticipated positive knock-on effect in areas including infrastructure, job creation and employment. By eliminating the cascade effect of multiple taxes being applied locally at various stages in the business process, GST is set to reduce the tax burden and to make India a more attractive and business-friendly proposition for investment.

Sunil Hansraj, joint managing partner at UHY member firm Chandabhoy & Jassoobhoy in Mumbai, agrees that although businesses may experience operational challenges to begin with, the introduction of GST will result in efficiencies in processes and compliance, and improved profitability in the longer term.

"There is, of course, an inherent apprehension among the business community about the implementation of GST," says Sunil. "The checks and balances the government puts in place must ensure that transition to and compliance with GST is as straightforward as possible for businesses, regardless of their nature and size – this will always be the greatest challenge.

"However, GST will ultimately make Indian businesses more competitive," he says. "Services may become more expensive initially, but bringing all indirect taxes under one umbrella is likely to reduce the cost of providing services in the long run."

CORPORATE TAX AVOIDANCE DEALT NEW BLOW

Over 2,000 bilateral tax treaties worldwide are set to incorporate anti-BEPS (base erosion and profit shifting) tax-busting measures, following the adoption of a new OECD/G20 Multilateral Instrument (MLI). The new instrument will enable countries to swiftly transpose BEPS results into existing treaties to update international tax rules without extended renegotiation on a treaty-by-treaty basis. It will also help to ensure consistency in the implementation of BEPS minimum standards in countering treaty abuse and improving dispute resolution mechanisms.

Base erosion and profit shifting refers 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, resulting in little or no overall corporate tax being paid. This is estimated to cost governments between 4-10% of global corporate income tax revenues, a potential loss of up to USD 240 billion annually. For developing countries, it is a particularly hard outcome and widely considered unfair.

Without the MLI, the sheer volume of bilateral tax treaties requiring amendment would have significantly slowed the worldwide implementation of anti-BEPS measures. Instead, the BEPS project should now enjoy increased momentum. Ninety-nine countries together concluded negotiations on the detail of the MLI last November and governments are now examining the text, which provides them with the flexibility to adopt the components appropriate to their treaties. The MLI is open for signatures and the ratification process will begin following an initial signatory ceremony in June 2017.

For more information visit **www.oecd.org/tax/beps** or email Clive Gawthorpe, chairman of UHY's global tax special interest group, **c.gawthorpe@uhy-uk.com**

IS THE FUTURE ALTERNATIVE?

In 2016, Costa Rica ran for an unbroken period of more than two months on renewable energy alone – the second year in a row the country had achieved this feat. In May 2016, Portugal powered itself for four-and-a-half consecutive days without fossil fuels. In both countries, the lights stayed defiantly on.

Predictably, there is some dispute about what all this means. Sceptics argue that Costa Rica is a small country with an economy that relies far more on agriculture and tourism than power-hungry industry, and is hardly representative of global energy requirements. Portugal, they add, just got lucky with the weather.

A GLOBAL SURGE

While there is truth in both arguments, these achievements have been widely celebrated as the most tangible results to date of a period of record global investment in alternative energy sources.

Renewable energy can no longer be considered a fringe interest, by either policy makers or investors. According to the latest REN21 Renewables Global Status Report, 2015 saw the largest increase in renewable energy production capacity ever, with an estimated 147 gigawatts (GW) of new capacity added globally. And that despite an unfavourable market. "What is truly remarkable about these results is that they were achieved at a time when fossil fuel prices were at historic lows, and renewables remained at a significant disadvantage in terms of government subsidies," says Christine Lins, executive secretary of REN21.

Renewable energy provided an estimated 19.2% of global final energy consumption in 2014, with wind, solar, hydro, geothermal and biomass energy making up the vast majority of that total. But some countries are running way ahead of the curve. In Costa Rica, Portugal and elsewhere, renewable energy has become a major contributor to national economic wellbeing, rather than simply a way to meet environmental targets.

UTILAJE
OPERADOR PORTUARIO Y LOGÍSTICO

BRINGING THE WIND TO URUGUAY

Utilaje is a port and logistics services provider based in Montevideo. A family-run business committed to the environment and sustainable development, Utilaje has been a major contributor to Uruguay's clean energy success with the country reaching its planned capacity for wind energy generation of 1500MW, representing over one third of the energy matrix.

Handling incoming wind turbine project cargo for world-leading manufacturers including Gamesa (now Siemens Wind Power), Nordex and market leader Vestas, there is little that Utilaje does not know about this sector - the company has had an involvement in an estimated 70% of all wind farm installations in Uruguay.

Utilaje is a valued client of UHY Gubba & Asociados, Montevideo, Uruguay.

"The importance of alternative energy to the national economy is huge," says Omar Pérez Rosales, managing partner of UHY's member firm in Costa Rica, UHY Auditores & Consultores S.A. "In Costa Rica, 96.9% of energy generation is from clean energy. And that figure will grow, because the interconnection between the countries of Central America encourages them to sell electricity between them."

LATIN AMERICA LEADS THE WAY

Uruguay is another Latin American country that sees renewable energy as an economic opportunity rather than a burden. The renewable sector has exploited a supportive regulatory framework and the country's favourable geography and climate to run ahead of the pack. In 2015, 92% of Uruguay's power generation was derived from renewable energy.

"Uruguay stands out as the developing economy with the most favourable framework for investment in clean energy," says Hugo Gubba, managing partner, UHY Gubba & Asociados, Montevideo, Uruguay. "Investment law promotes clean energy, allowing industries that invest in renewable energy to finance up to 80% of that investment through taxation exemptions."

The country is reaping the rewards of that support. Once a net importer of electricity, with a domestic capacity that could not meet demand at peak times, Uruguay is now a net exporter, selling its surplus mainly to Argentina. A new interconnection with Brazil will provide opportunities to supply electricity to the world's ninth largest economy. Uruguay's renewable energy supply is diverse, with the country generating power from wind, solar, hydro and biomass sources. This has created a range of opportunities for professional services companies like UHY Gubba & Asociados.

"We work specifically with clients in the wind energy sector, and they receive the very best advice and guidance in financial and tax planning, business advisory and audit services," says Hugo. The advance of the renewables sector presents the company with the challenge of widening its specialist knowledge. "We must continue to specialise in renewable energy projects and we are working hard to acquire unique expertise in the industry."

Around the globe, UHY member firms are doing the same, in recognition of alternative energy's growing importance. The renewable energy companies and projects served by UHY's global network are hugely diverse. In Canada, for example, UHY McGovern Hurley LLP in Toronto provides special audit services for the Smart Grid Fund Project, a government scheme to support electricity grids in Ontario which is building one of the most advanced electricity grids in the world, with the aim of reducing energy use. The government supports various research projects, and UHY McGovern Hurley LLP audits the activities of recipients, helping to ensure that expenditures are in accordance with government requirements.

In the Philippines, UHY M.L. Aguirre & Co CPAs has several alternative energy clients, reflecting the expansion of the renewables sector in the country. One is the Restored Energy Development Corporation (RED), an innovative company that generates and supplies energy from biomass sources, and specifically rice husks. RED also constructs biomass power plants, and can name several major Filipino and international corporations among its customers. In fact, UHY M.L. Aguirre & Co CPAs has developed something of a speciality in the biomass sector, and also provides services to a Dutch and Filipino joint venture aiming to construct power plants fuelled by bana grass, a unique variety of elephant grass.

SPECIALISED KNOWLEDGE

These kinds of projects are increasingly essential to the wider Filipino economy, helping to provide secure power supplies in rural areas, create jobs for local workers and promote the growth of the country's SME sector. But Michael L. Aguirre, managing partner at UHY M.L. Aguirre & Co CPAs, believes companies starting out in the sector need to enlist the support of professional service providers with specialised expertise.

> "Uruguay's renewable energy supply is diverse, with the country generating power from wind, solar, hydro and biomass sources."

"Companies in the alternative energy sector should seek the support of professional service firms that can give them proper guidance as to the fiscal and non-fiscal incentives available," he says. "They also need proper evaluation of the feasibility of their projects. With RED, for example, the payback period is projected to be a decade or two."

Compliance with local laws must also be considered, with companies facing a raft of regulations that can differ between countries and even regions. The alternative energy sector is relatively new, and start-ups desperately need knowledgeable support if they are to build solid foundations. That client need creates opportunities for UHY member firms around the world too.

WIND AND SUN

In breezy Northern Europe, UHY's member firm in Denmark, inforevision A/S, is working with Connected Wind Services, the largest provider of wind turbine repair, maintenance and monitoring services in the region. Inforevision provides merger and acquisition services, drill-down financial analysis, and auditing and accounting services to the company. According to Carlos Christensen, CEO of Connected Wind Services, the company values the personal service they get from inforevision, alongside sector-specific knowledge. "Inforevision has an ability to make us feel like their only customer. There is always time for an urgent analysis, and there is always a thorough understanding of our business and our needs," he says.

In sunny Italy, meanwhile, the focus is more often on solar energy, and the work of UHY Italy's audit and assurance firm, UHY Bompani Srl, is evidence of a sector commanding considerable interest and investment. The company has undertaken six due diligences on alternative energy companies in the last five years, reflecting a market that is moving into a new phase of consolidation. UHY Bompani Srl has also worked for Chinese investors looking to sell solar products locally under an Italian brand, which again appears to indicate a sector in good health.

But managing partner Andrea Fantechi believes the picture is more nuanced, at least in Europe.

"In the last ten years, the proportion of alternative energy in total energy consumption in Italy has increased from 15% to 38%, but this growing trend is significantly reducing because of a cut in incentives for building new alternative energy productions plants," says Andrea. His caution is borne out by the REN21 report, which finds that, while developing countries continue to pour money into the sector, renewable energy investment in developed countries declined by 8% in 2015. The most significant decrease was seen in Europe.

RISKS AHEAD

There is clearly a danger that the renewable energy boom could stall, especially in European countries where worries around Brexit are forcing governments to rethink financial priorities. For all its recent progress, the renewables sector is still heavily reliant on favourable legislation and government incentives. Arthouros Zervos, chairman of REN21, has talked of a sector "barrelling down the tracks, but running on 20th-century infrastructure."

Nevertheless, nobody denies that the direction of travel for renewable energy is set, even if it faces short-term challenges. In Europe, where those challenges currently appear most acute, the sector needs all the help it can get. That is especially true when considering that many alternative energy companies remain limited in both size and experience.

"Very often, these companies are start-ups – though obviously, there are big players too – that require general help in transforming an entrepreneur's idea into a solid business," says Andrea Fantechi. "That means finding investors to finance the project, building business plans, introducing accounting, verifying tax incentives and more."

The global UHY network is ideally placed to deliver these services, thanks to the increasingly deep pool of sector-specific knowledge that it can draw on and share.

Our *Cogs and Wheels* section highlights what drives a successful international network. In this issue, we look at how UHY member firms are adapting to become firms of the future

EVOLVING TO SUCCEED

Advances in technology are driving transformation in accountancy practice. UHY's strategic commitments to growth and quality recognise the need to develop, adapt, innovate and evolve.

In 2015, the Institute of Chartered Accountants in England and Wales (ICAEW) identified the challenges and opportunities of technology, competition, regulation and client expectations as key factors which must drive innovation and evolution in accounting firms. Two years later, client-centric business models, the role of the trusted advisor, and cloud accounting are common currency.

In order to differentiate from the competition and harness disruptive technologies for new opportunities in accounting, the capacity to learn, understand and develop is essential. In line with its strategic commitment to growth and quality, the UHY network is embracing new technologies and equipping the next generation of trusted advisors with the skills they need to succeed.

HARNESSING TECH

Member firms across the UHY network are already addressing the role of technology. Cloud-accounting service lines are becoming commonplace, facilitating unprecedented ease of access to up-to-date financial data, and enabling trusted advisors to act swiftly as client needs arise. Data analytics is increasingly being used to add value to audit processes, enabling broader, more complete and efficient analysis of large datasets, and automating routine data tasks.

Service lines in some member firms, including in the United States, are expanding to include technology and cybersecurity consultancy. Innovation sits behind the introduction of custom finance and tax apps by member firms in Australia and Ireland. Perhaps most importantly, the network's collaborative culture means that tech-based expertise is widely available.

As advances in technology move beyond the cloud, this level of sophistication is increasingly expected by clients. And as technology presents great opportunities for accountants with the right skillsets, the network is not complacent. UHY's Membership Training Working Group supports an evolving schedule of interactive, globally accessible, webinar-based training, run by the network's executive office. From the operational benefits of blockchain to the regulatory implications of new technologies in audit, UHY is ensuring that member firms have the capacity to enhance their service lines, by offering training to embed understanding and encourage forward-thinking innovation.

FUTURE LEADERS

UHY's forward-looking culture means that investment in technology and training is a given. With a commitment to developing all staff to their full potential, new models of learning and development are key as the network embraces the evolution of the profession, and firms equip the trusted advisors of the future with business and leadership skills.

As millennials (people born between 1980 and 1995) are set to account for over 50% of the global workforce by 2020, UHY member firms are structuring development programmes to ensure that they are delivered in the most appropriate ways for optimum learning among this and future generations. Leadership and partner progression emphasise peer learning and mentorship, and incorporate experience-based learning practices. As such, they include the value millennials place on development within the workplace, learning through exploration and their peers, and opportunities for discussion.

"Historic models of training encourage people to believe that someone else is responsible for their development," says Sumeet Nayyar, CEO of UHY's member firm in the UAE, UHY Saxena. "We want to put people in the driving seat of their own development, and to foster a culture of learning where the mentees themselves become mentors."

MORE SOFT SKILLS

Clients of today and tomorrow want a tech-savvy advisor, but as technology shifts the focus of the accountant's role, a gradual move is also happening in the marketplace, with differentiation from the competition based increasingly on the strength, quality, flexibility and longevity of the client-accountant relationship. In the evolving business environment, how professionals communicate with clients and how they are perceived can make all the difference in developing and maintaining business relationships.

In recognition of this, soft skills development forms a core part of the training offered both network-wide and within UHY member firms. Technology, of course, can support client relationships, and UHY's cloud-accounting service lines provide a variety of touchpoints for contact between client and advisor. But as clients increasingly assume that their trusted advisor has technical ability, in a competitive market it is their soft skills that must come to the fore. As a people-focused network, UHY is well-placed to meet this challenge.

THE REAL AMBER NECTAR

Ask anyone who keeps bees and they will tell you it is so much more than simply enjoying a hobby, pollinating a garden or making their own honey. For many, beekeeping is about making a real connection to the natural world, rooting us to our environment whilst enjoying a unique relationship with these clever, tough and diligent creatures.

Mark Nicholaeff is one such enthusiast. Having achieved a traditionally successful career as a partner at UHY Haines Norton, Sydney, ex-chairman of UHY Haines Norton Australia and New Zealand and UHY International board director, Mark has always sought out the natural world for a different sense of fulfilment. That is why he spends much of his available free time in the natural world in Tasmania, as a beekeeper and maker of honey.

Five years ago Mark teamed up with a Tasmanian apiarist Aaron Bramich to create Tasmanian Wilderness Honeycomb, which harvests and sells Leatherwood honey in its purest form. But while honey is a happy by-product of this endeavour, it is the connection with the natural environment that keeps him returning to this extraordinary wilderness.

The story begins in the trees producing the nectar. The protected Savage River National Park in the Tarkine region of Tasmania is one of just two locations in the world (Chile is the other) where the Leatherwood tree is native. From this pristine environment – no humans live or work in the ancient forest – the trees absorb the minerals to grow, flower and produce nectar for the bees to ingest. Only the very mature trees (50-60 years old) grow the white blossoms that honey bees harvest for its nectar, churning this liquid with proteins and enzymes in their stomachs and bringing it back to the hives to place it in honeycomb cells.

At this stage many producers resort to extraction techniques that change the composition of the honey. "Most manufacturers heat the honey which destroys the enzymes and antioxidants," says Mark. "They place more importance on selling the product than caring what is in it and how it is produced."

Mark and Aaron focus instead on selling honeycomb, which is raw and therefore maintains all its health benefits. Leatherwood honey's unique flavour and smell is like no other on earth, complex, rich and a different product altogether from the cheap imitations we find on supermarket shelves.

"For me, preserving the integrity of this natural product goes far beyond the narrow parameters of taste and texture," says Mark. "It highlights a powerful message about the food we eat, and the respect we owe to the habitats where that food is found. Bees, and this incredible wilderness, can teach us so much about purity and sustainability."

AGUSTÍN CRUISES TO TOP LAW POSITION

One of Europe's top professional law organisations has appointed a legal expert from UHY as its new president.

Agustín Cruz, managing partner of legal services, UHY Fay & Co, Spain, took up a two-year term as president of the Union des Avocats Européens (UAE) or European Lawyers' Union in January having been elected the previous November.

Founded in Luxembourg in 1986, the UAE has been working to promote the professional practice of law in Europe for over three decades. Bringing together practising lawyers from throughout the European Union (EU), as well as encouraging the development of contacts between European legal practitioners, the organisation is committed to advancing the practice of EU law and law derived from the European Convention for the Protection of Human Rights and Fundamental Freedoms.

A former vice president of the organisation, Agustín has been an active member of the union for many years. "I am very excited and comfortable with this responsibility," he says. "I have been proactively involved with the UAE for many years, organising many of its conferences and congresses."

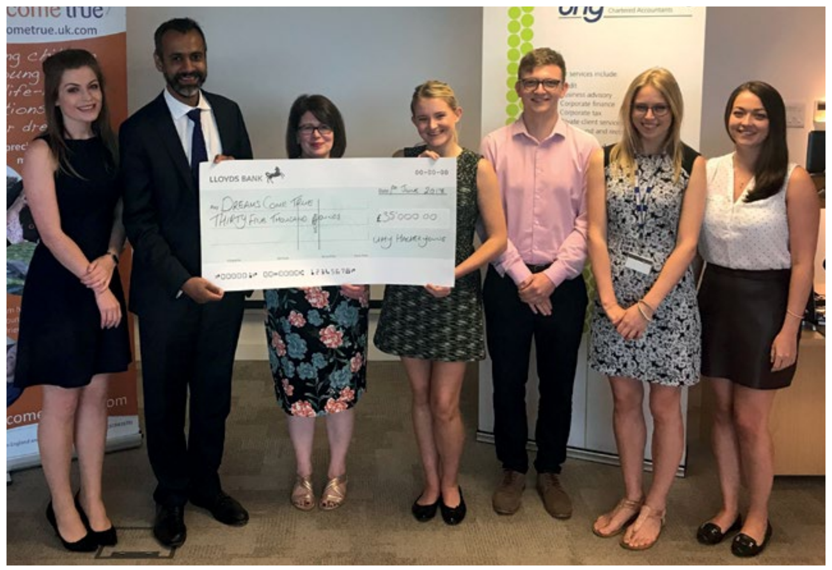
Agustín is looking forward to continuing the UAE's work in championing the legal profession in Europe. "I believe that the work of the European Lawyers' Union is absolutely necessary in promoting both the practice of law itself and the figure of the lawyer at a European level," he says.

MALAYSIA FIRM SCOOPS HR AWARD

Proving that great client service begins from within, the advisory team at UHY in Malaysia has been awarded Silver in the SME Best Employer Category at the most recent Malaysian Institute of Human Resource Management (MIHRM) awards, now in its 16th year.

More than 400 HR professionals from different businesses and organisations gathered for the event at the Hilton Petaling Jaya, where Deputy Education Minister Datuk P. Kamalanathan was guest of honour.

"This award is an honour and delight," says senior partner Alvin Tee. "We work very hard at employee relations, placing them at the same level of importance as client service, so we are thrilled that our efforts have been recognised by these prestigious awards."



Head of charities for UHY Hacker Young, Subarna Banerjee (second left) presents the fundraising cheque to Jo Sorg (third left), from the Dreams Come True charity.

FROM BAKE OFF TO TAKE OFF

In our last issue of *UHY Global* we showcased the amazing cakes and bakes created by UHY Hacker Young teams in the UK for their Dream Tea events – raising money for the national charity Dreams Come True, which supports children with serious or life limiting illnesses or disabilities.

Events embraced by our UK teams have raised over GBP 35,000 so far for Dreams Come True – they include orange and purple dress-up days, raffles, Christmas events, childhood dream days and numerous personal fundraisers such as marathons and endurance events. Most recently, intrepid teams have gone one step – or rather one leap – further, with sponsored skydives.

Members from UHY Hacker Young offices in London, Manchester, Brighton and Sittingbourne, including UHY International skydived to raise an incredible GBP 5,500 between them – with funds still on the increase.

TELETHON KEEPS ON GIVING

For over 50 years, colleagues at UHY Advisors in the US have put heart and soul into hosting the annual Telethon for the benefit of the Center for Disability Services in New York, and the #518Gives event in 2017 did not disappoint – raising USD 2,172,015 and smashing last year's record.

With the group having announced it was planning to donate USD 48,500 to the project, it was all systems go – they even persuaded some of America's brightest sports personalities to join in to add some star quality to the proceedings. So successful was the event that at one point #518Gives was trending nationally on Twitter.

The event took place at the Radisson Hotel in Albany, in January. New York Giants' running back Paul Perkins and Yankee starting pitcher Luis Severino were on hand to sign autographs, with all proceeds going the Center for Disability Services and its divisions, Down Syndrome Aim High Resource Center, Life Quality Solutions Incubator, Prospect Center in Queensbury and St Margaret's Center in Albany, US.

"UHY LLP has been a longtime partner of the Center for Disability Services and we are proud to once again be a part of the telethon this year," said Howard Foote, managing partner, Capital Region at UHY LLP in Albany, US. "We were thrilled to help bring the stars of the New York Giants and Yankees to the Capital Region in support of an outstanding cause. It is our honour to work with an organisation that for decades has provided invaluable services to thousands of residents in the greater Capital Region."

Anne Schneider Costigan, the Center's deputy executive director – Foundation Division said, "We thank the partners at UHY LLP for their continued support of this event and commitment to the mission of the Center for Disability Services. The community generously responded to the Center's people and their stories of success. From everyone at the Center, the place where people get better at life, our heartfelt thanks."

Donations can still be made at **www.cfdsny.org/donation**

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