

UNDERSTANDING THE NEEDS OF THE REAL ECONOMY:

AN APA CLIENT SURVEY Q1 2019

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| Date launched: | Monday, January 07, 2019 |
| Date closed: | Monday, February 04, 2019 |
| Total responses: | 475 |

Introduction

The Association of Practising Accountants (APA) is a network of 15 leading business advisory firms meeting the needs of the real economy from SMEs through to AIM companies as well as the third sector.

APA members collectively advise and support well over 14,000 businesses with turnover up to the hundreds of millions. Our clients produce goods and services which help drive and jobs and growth across the UK and internationally.

This is the first of what we hope will be a regular twice yearly assessment of the challenges and opportunities facing this vital sector of the economy. We want to ensure that the views of our clients register with policy makers and regulators so that they can make informed decisions that help support sustainable business growth.

Introduction

What is clear from our research is that there is a significant concern across this sector of the economy right now, driven in part by Brexit but also pessimism around the broader economic outlook. Regulatory burdens including employment law, the complexity of the tax system and GDPR are presenting challenge while recruiting and retaining the right people and access to finance were also identified by many as issues in our Q1 2019 research.

There is also short and medium term pessimism over the future of the UK outside the EU with a majority reporting that they think the UK will be worse off both in the next 12 months and 5 years.

Taken together these factors are impacting on our clients willingness to make capital investment, hire, etc. and should ring alarm bells with policy makers who need to think hard about how the current environment can be improved.

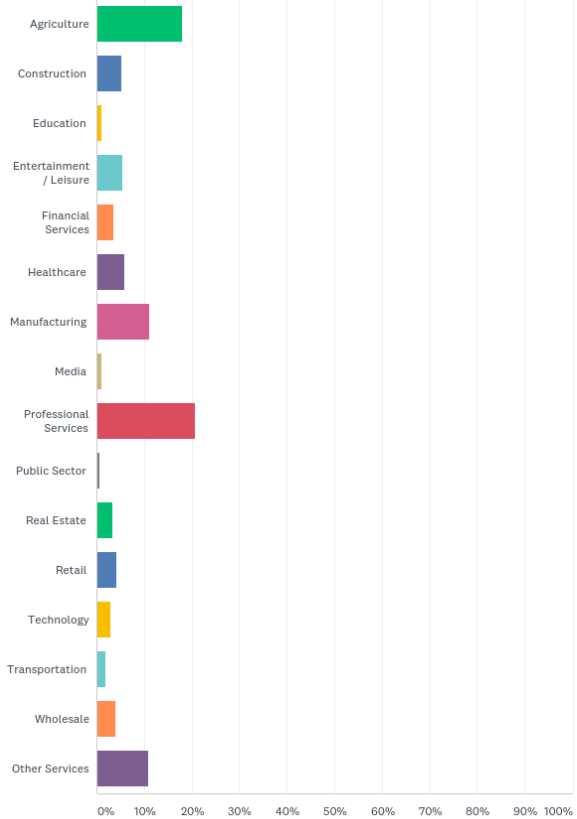
In particular our clients would like to see a more a more business focused approach to regulation, greater emphasis on the needs of the real economy and more clarity about what they can expect post-Brexit.

Methodology

Between 7th January and 4th February a client survey was dispatched by the Association of Practicing Accountants through its network of 16 member firms. In total 475 clients responded to the consultation across a broad breadth of industry sectors. The quantitative research included in this report is supported by qualitative feedback which provides further anecdotal evidence in support of these findings.

Q1: How would you classify your business by sector?

Answered: 473 Skipped: 2



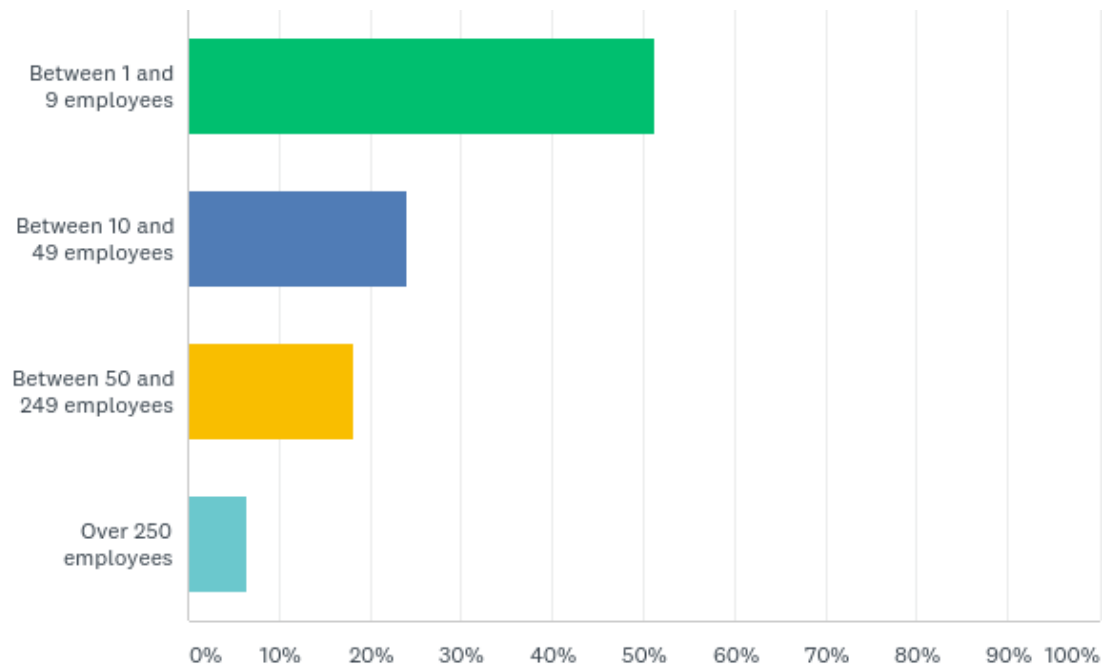
Q1: How would you classify your business by sector?

Answered: 473 Skipped: 2

| ANSWER CHOICES | RESPONSES | |
|-------------------------|-----------|------------|
| Agriculture | 17.97% | 85 |
| Construction | 5.29% | 25 |
| Education | 1.06% | 5 |
| Entertainment / Leisure | 5.50% | 26 |
| Financial Services | 3.59% | 17 |
| Healthcare | 5.92% | 28 |
| Manufacturing | 10.99% | 52 |
| Media | 1.06% | 5 |
| Professional Services | 20.72% | 98 |
| Public Sector | 0.63% | 3 |
| Real Estate | 3.38% | 16 |
| Retail | 4.23% | 20 |
| Technology | 2.96% | 14 |
| Transportation | 1.90% | 9 |
| Wholesale | 4.02% | 19 |
| Other Services | 10.78% | 51 |
| TOTAL | | 473 |

Q2: What size is your business?

Answered: 471 Skipped: 4



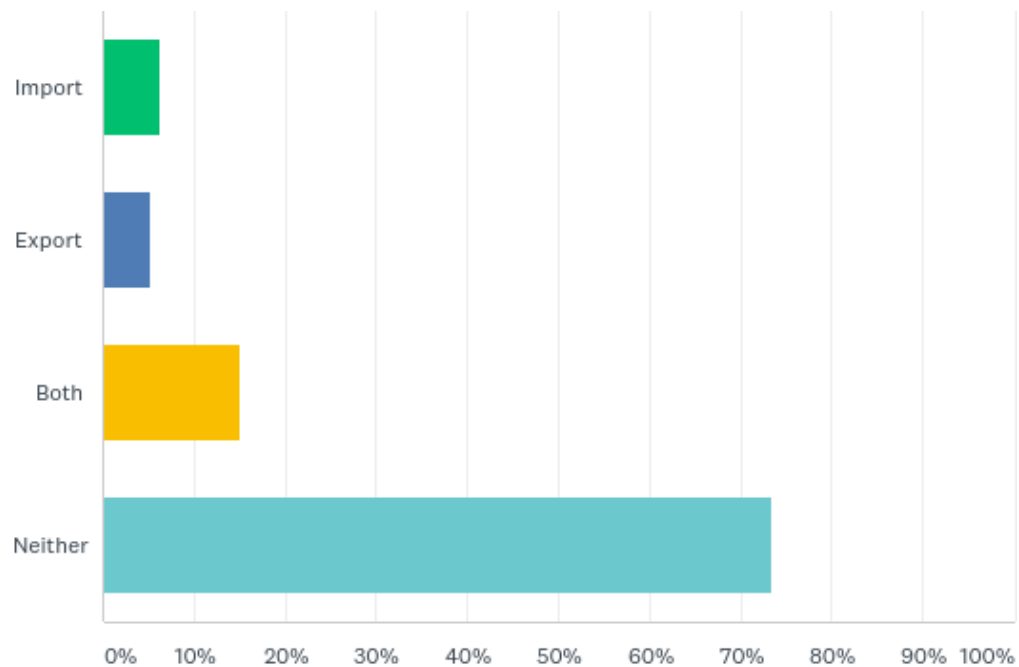
Q2: What size is your business?

Answered: 471 Skipped: 4

| ANSWER CHOICES | RESPONSES | |
|------------------------------|-----------|-----|
| Between 1 and 9 employees | 51.17% | 241 |
| Between 10 and 49 employees | 23.99% | 113 |
| Between 50 and 249 employees | 18.26% | 86 |
| Over 250 employees | 6.58% | 31 |
| TOTAL | | 471 |

Q3: Do you import or export?

Answered: 469 Skipped: 6



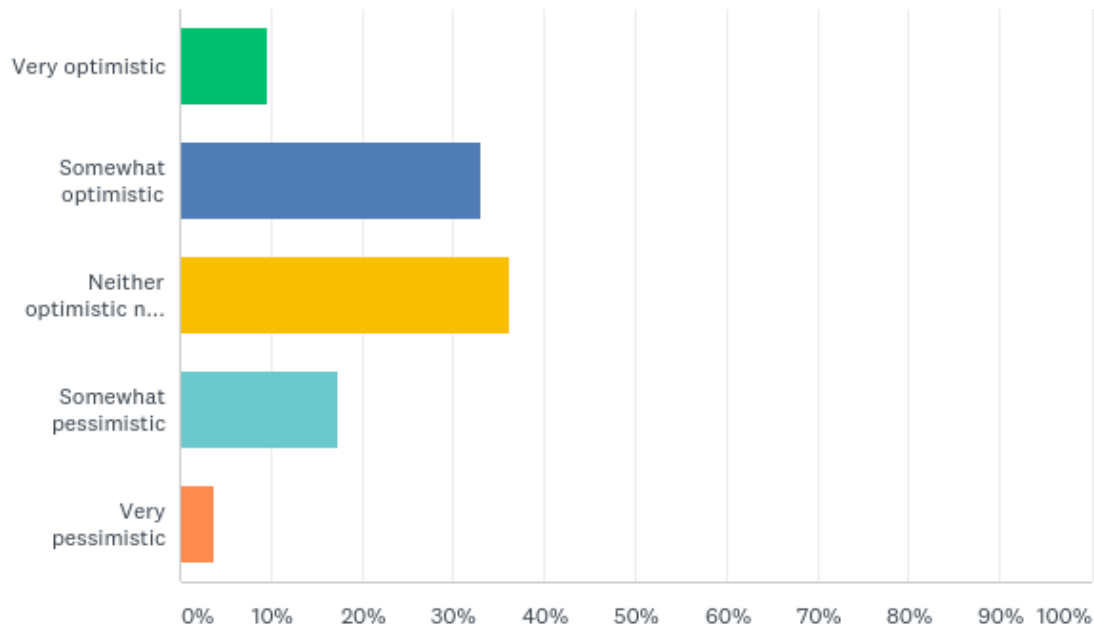
Q3: Do you import or export?

Answered: 469 Skipped: 6

| ANSWER CHOICES | RESPONSES | |
|----------------|-----------|-----|
| Import | 6.18% | 29 |
| Export | 5.33% | 25 |
| Both | 15.14% | 71 |
| Neither | 73.35% | 344 |
| TOTAL | | 469 |

Q4: How optimistic are you about your growth over the next 12 months?

Answered: 472 Skipped: 3



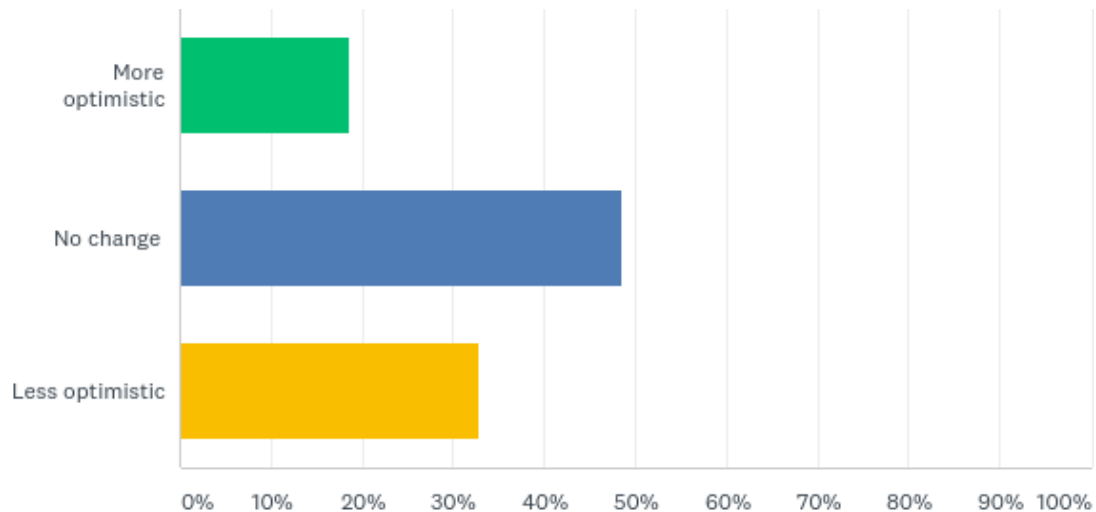
Q4: How optimistic are you about your growth over the next 12 months?

Answered: 472 Skipped: 3

| ANSWER CHOICES | RESPONSES | |
|------------------------------------|-----------|-----|
| Very optimistic | 9.53% | 45 |
| Somewhat optimistic | 33.05% | 156 |
| Neither optimistic nor pessimistic | 36.23% | 171 |
| Somewhat pessimistic | 17.37% | 82 |
| Very pessimistic | 3.81% | 18 |
| TOTAL | | 472 |

Q5: Are you more or less optimistic than 12 months ago?

Answered: 470 Skipped: 5



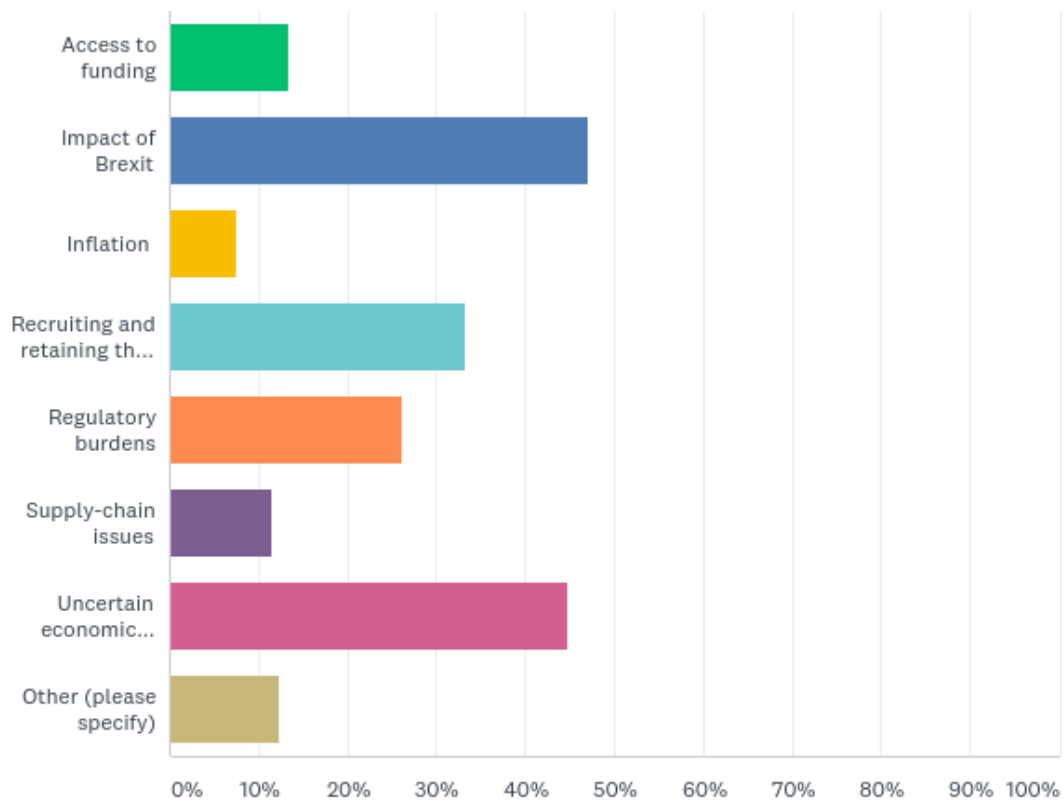
Q5: Are you more or less optimistic than 12 months ago?

Answered: 470 Skipped: 5

| ANSWER CHOICES | RESPONSES | |
|-----------------|-----------|-----|
| More optimistic | 18.72% | 88 |
| No change | 48.51% | 228 |
| Less optimistic | 32.77% | 154 |
| TOTAL | | 470 |

Q6: What are the biggest challenges you face over the next 12 months?

Answered: 468 Skipped: 7



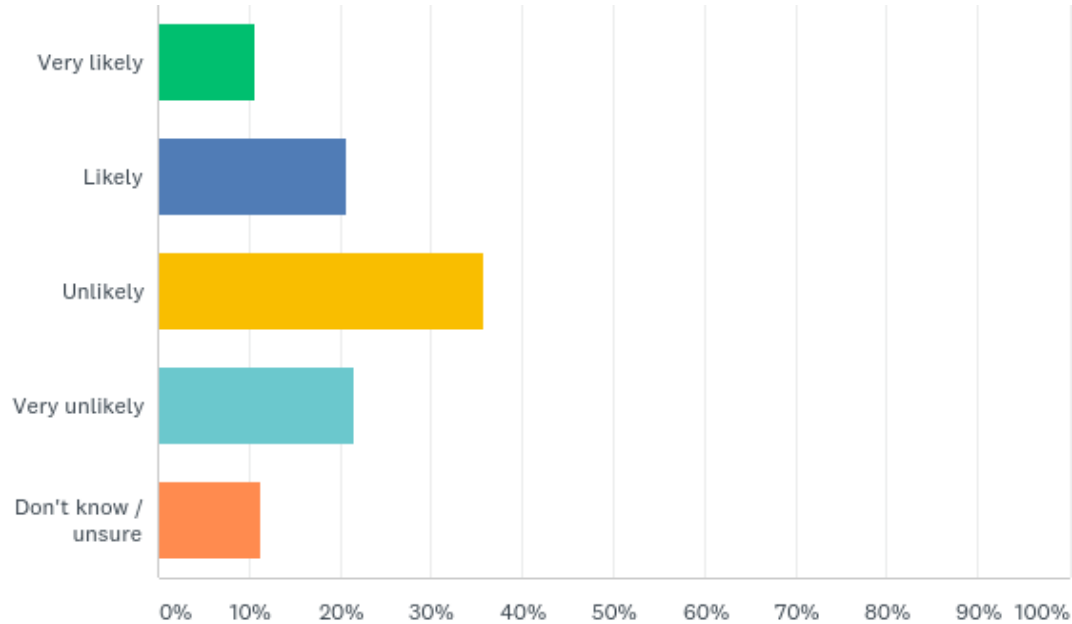
Q6: What are the biggest challenges you face over the next 12 months?

Answered: 468 Skipped: 7

| ANSWER CHOICES | RESPONSES | |
|---|-----------|-----|
| Access to funding | 13.46% | 63 |
| Impact of Brexit | 47.01% | 220 |
| Inflation | 7.48% | 35 |
| Recruiting and retaining the right people | 33.33% | 156 |
| Regulatory burdens | 26.07% | 122 |
| Supply-chain issues | 11.54% | 54 |
| Uncertain economic outlook | 44.87% | 210 |
| Other (please specify) | 12.39% | 58 |
| Total Respondents: 468 | | |

Q7: How likely are you to make a major capital investment in your business over the next 12 months?

Answered: 469 Skipped: 6



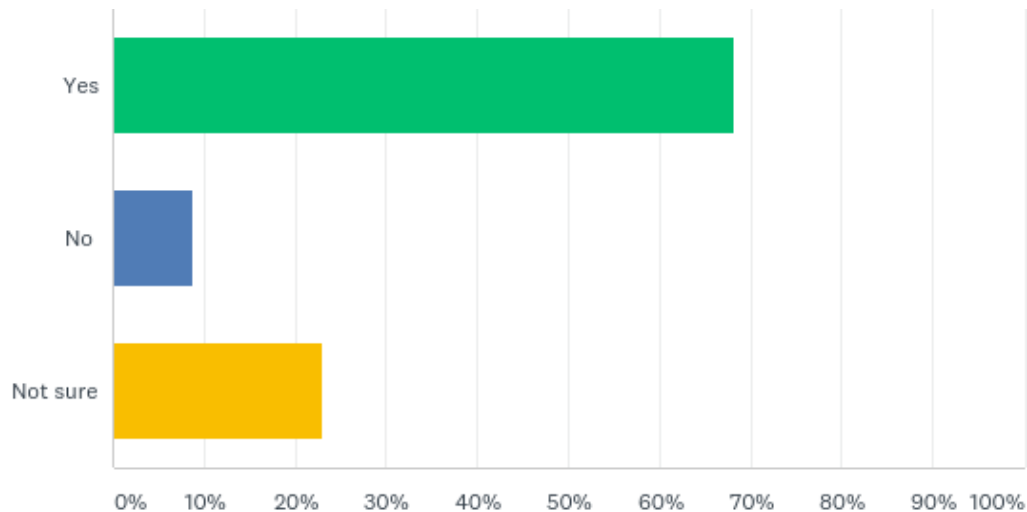
Q7: How likely are you to make a major capital investment in your business over the next 12 months?

Answered: 469 Skipped: 6

| ANSWER CHOICES | RESPONSES | |
|---------------------|-----------|------------|
| Very likely | 10.66% | 50 |
| Likely | 20.68% | 97 |
| Unlikely | 35.82% | 168 |
| Very unlikely | 21.54% | 101 |
| Don't know / unsure | 11.30% | 53 |
| TOTAL | | 469 |

Q8: Do you have sufficient access to the funding you need over the next 12 months?

Answered: 466 Skipped: 9



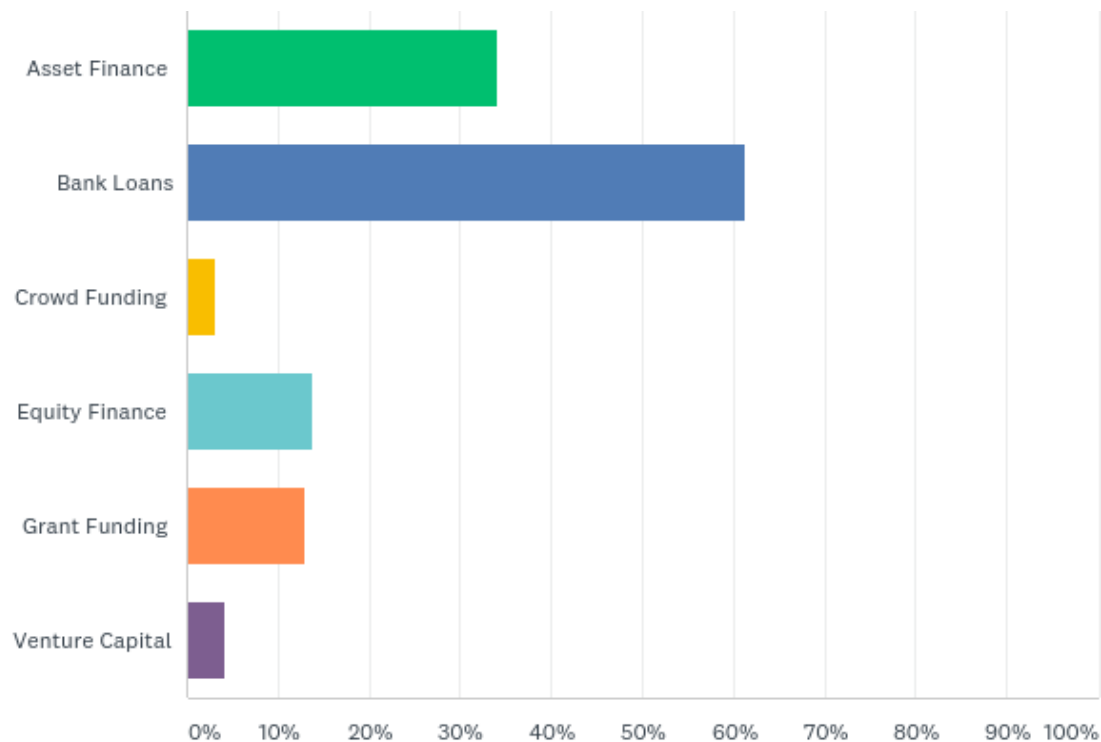
Q8: Do you have sufficient access to the funding you need over the next 12 months?

Answered: 466 Skipped: 9

| ANSWER CHOICES | RESPONSES | |
|----------------|-----------|-----|
| Yes | 68.24% | 318 |
| No | 8.80% | 41 |
| Not sure | 22.96% | 107 |
| TOTAL | | 466 |

Q9: What type of funding do you use?

Answered: 392 Skipped: 83



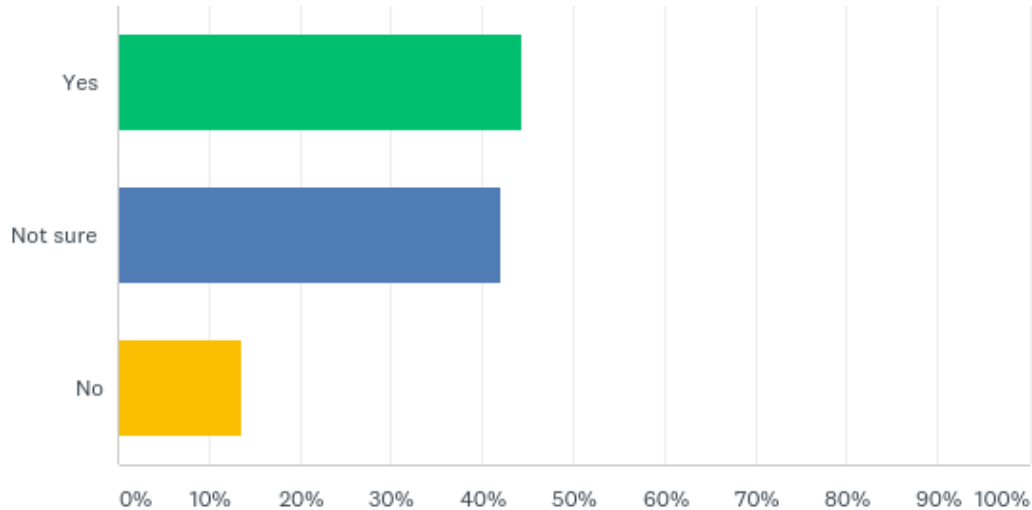
Q9: What type of funding do you use?

Answered: 392 Skipped: 83

| ANSWER CHOICES | RESPONSES | |
|------------------------|-----------|-----|
| Asset Finance | 34.18% | 134 |
| Bank Loans | 61.22% | 240 |
| Crowd Funding | 3.06% | 12 |
| Equity Finance | 13.78% | 54 |
| Grant Funding | 13.01% | 51 |
| Venture Capital | 4.08% | 16 |
| Total Respondents: 392 | | |

Q10: Are you confident you will be able to recruit and retain people with the skillsets your business needs over the next 12 months?

Answered: 455 Skipped: 20



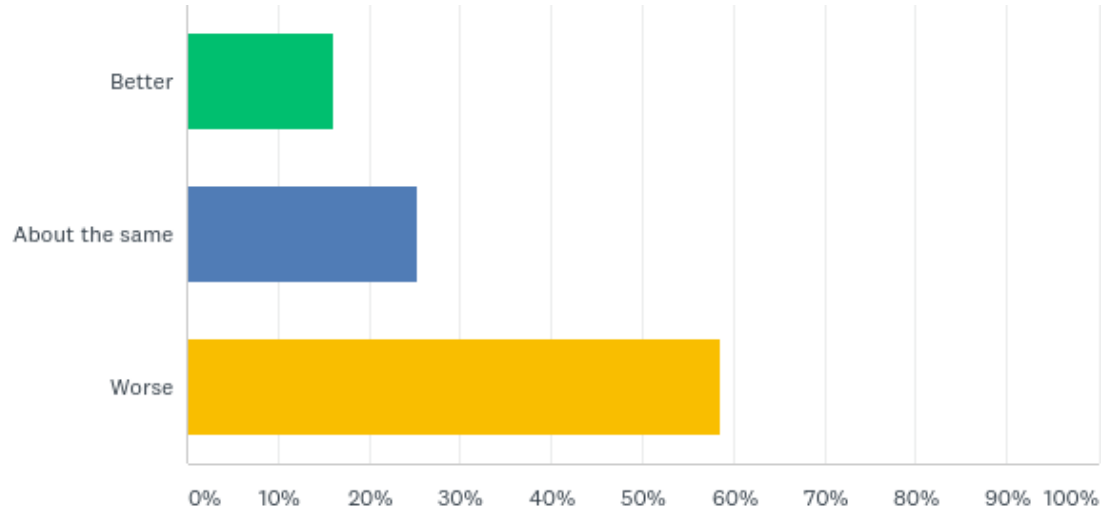
Q10: Are you confident you will be able to recruit and retain people with the skillsets your business needs over the next 12 months?

Answered: 455 Skipped: 20

| ANSWER CHOICES | RESPONSES | |
|----------------|-----------|-----|
| Yes | 44.40% | 202 |
| Not sure | 41.98% | 191 |
| No | 13.63% | 62 |
| TOTAL | | 455 |

Q11: In your view will the UK be better or worse off over the next 12 months if we leave the European Union?

Answered: 459 Skipped: 16



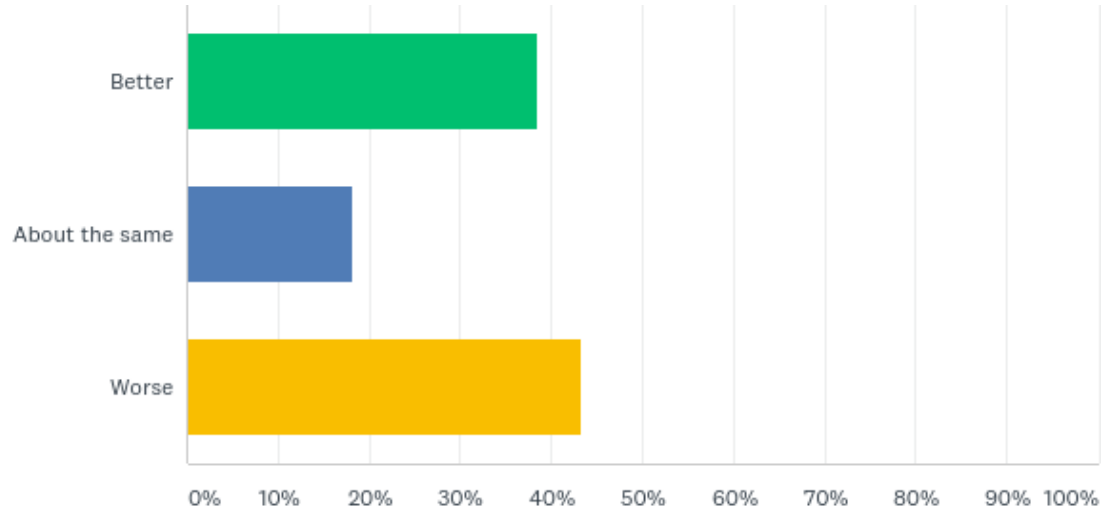
Q11: In your view will the UK be better or worse off over the next 12 months if we leave the European Union?

Answered: 459 Skipped: 16

| ANSWER CHOICES | RESPONSES | |
|----------------|-----------|-----|
| Better | 16.12% | 74 |
| About the same | 25.27% | 116 |
| Worse | 58.61% | 269 |
| TOTAL | | 459 |

Q12: In your opinion will the UK be better or worse off over the next 5 years if we leave the European Union?

Answered: 461 Skipped: 14



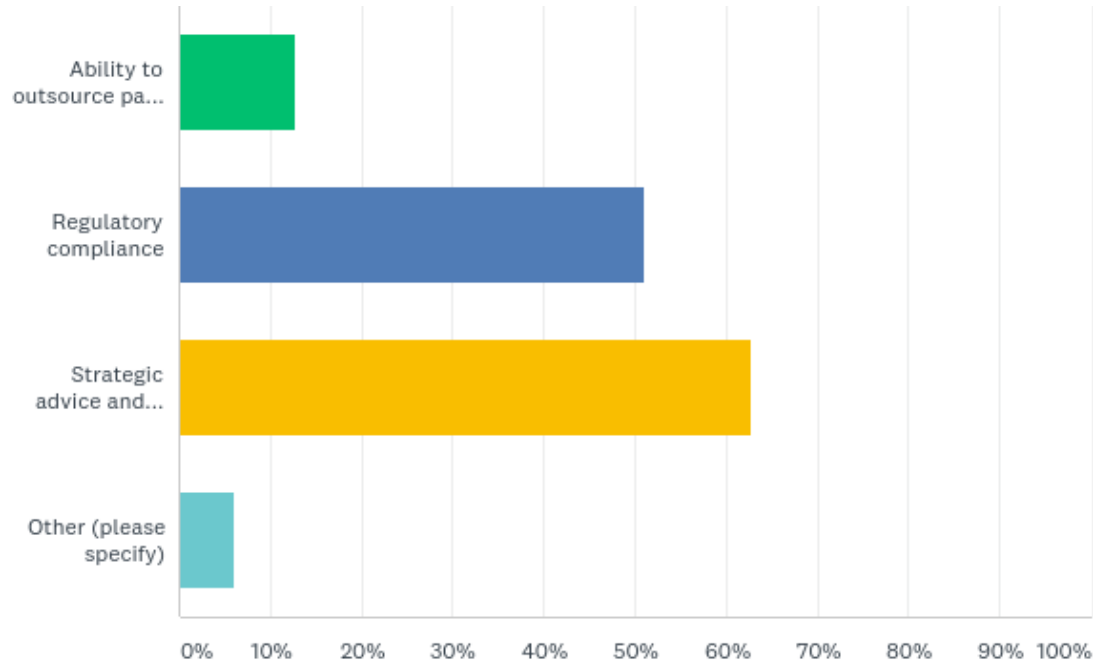
Q12: In your opinion will the UK be better or worse off over the next 5 years if we leave the European Union?

Answered: 461 Skipped: 14

| ANSWER CHOICES | RESPONSES | |
|----------------|-----------|-----|
| Better | 38.39% | 177 |
| About the same | 18.22% | 84 |
| Worse | 43.38% | 200 |
| TOTAL | | 461 |

Q13: What do you see as the main benefits of using a professional business advisor?

Answered: 448 Skipped: 27



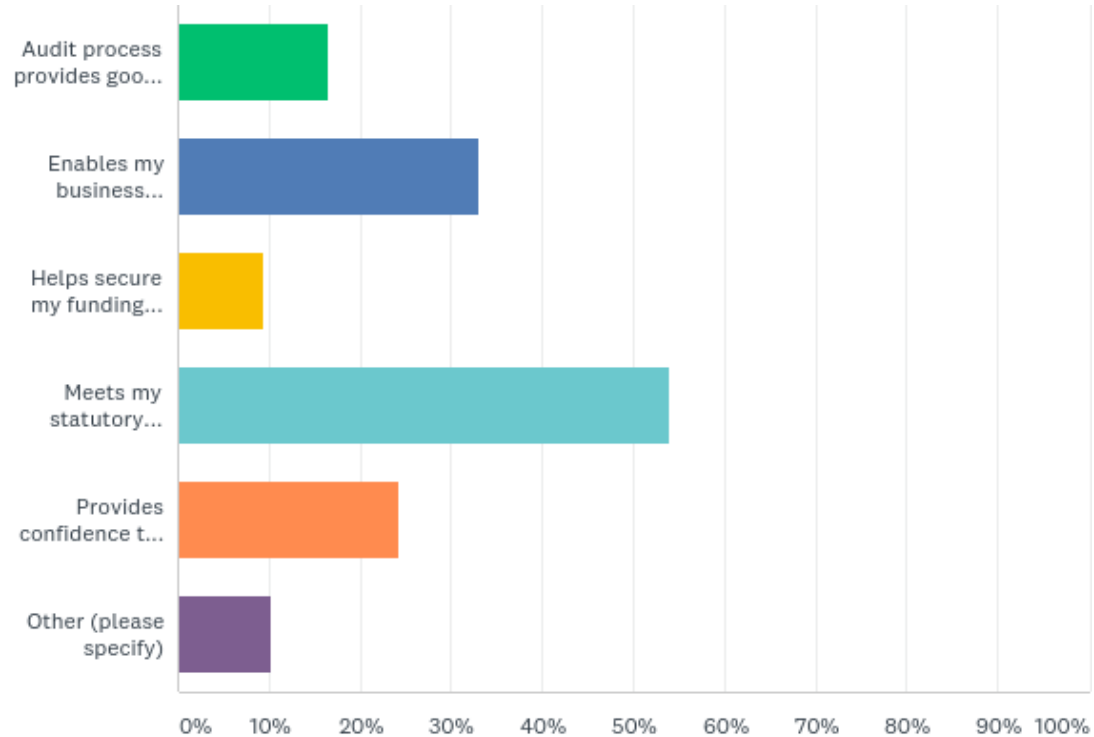
Q13: What do you see as the main benefits of using a professional business advisor?

Answered: 448 Skipped: 27

| ANSWER CHOICES | RESPONSES | |
|---|-----------|-----|
| Ability to outsource parts of my business | 12.72% | 57 |
| Regulatory compliance | 51.12% | 229 |
| Strategic advice and support | 62.72% | 281 |
| Other (please specify) | 6.03% | 27 |
| Total Respondents: 448 | | |

Q14: What do you see as the main benefit of an independent audit for companies such as yours?

Answered: 433 Skipped: 42



Q14: What do you see as the main benefit of an independent audit for companies such as yours?

Answered: 433 Skipped: 42

| ANSWER CHOICES | RESPONSES | |
|--|-----------|-----|
| Audit process provides good challenge | 16.63% | 72 |
| Enables my business advisor to provide me with better advice and support | 33.03% | 143 |
| Helps secure my funding requirements | 9.47% | 41 |
| Meets my statutory obligations as a business | 54.04% | 234 |
| Provides confidence to investors / owners of the business | 24.25% | 105 |
| Other (please specify) | 10.16% | 44 |
| Total Respondents: 433 | | |