

Welcome to Business

Swindon Chamber of Commerce

Business Leaders' Forum

Friday 28th October 2011

Swindon Chamber of Commerce Business Leaders' Forum

Gary Mealing

Swindon Chamber of Commerce

President

Strictly Private & Confidential

The Outlook for Savings & Investments

Presentation to Thames Valley Chamber of Commerce Business Leaders Forum

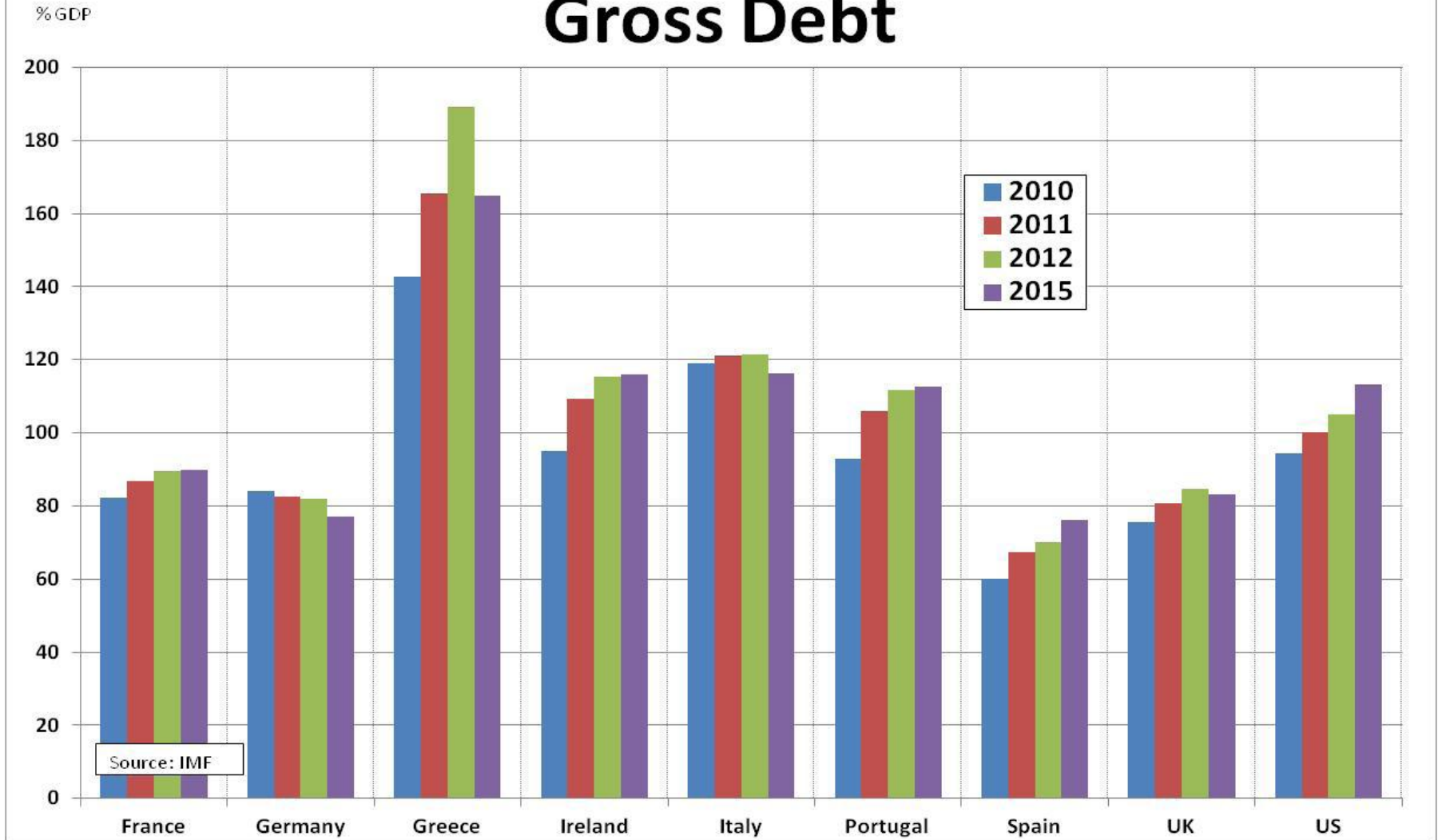
Swindon, 28th October 2011

History of a Crisis

- Deregulation of UK Financial Markets in 1986 (Big Bang)
- Wall Street the Movie in 1987 – Greed is Good!!
- Repeal of the US Glass–Steagall Act of 1932 in 1999 effectively removed the separation that previously existed between investment banking which issued securities and commercial banks which accepted deposits. The deregulation also removed conflict of interest prohibitions between investment bankers serving as officers of commercial banks.
- Alan Greenspan, Chairman of the US Federal Reserve initiated a series of interest cuts in 2001 that brought down the Federal Funds rate to 1% in 2004. This excessively loose monetary policy led directly to asset inflation, a weak dollar and a rapid rise in commodity prices and gold.
- Lehman Brothers & Bear Stearns go bust in 2008 on Sub-Prime Bad Debt Mortgages exporting contagion around the World's Financial Markets.

Anatomy of a Crisis – Debt Levels

Gross Debt



Anatomy of a Crisis – Support for Banks

% GDP	Cost
Ireland	40.6
Netherlands	14.0
Germany	13.2
UK	6.7
Greece	5.8
Belgium	5.7
US	5.1
Spain	3.0
€ bn	1,722.0

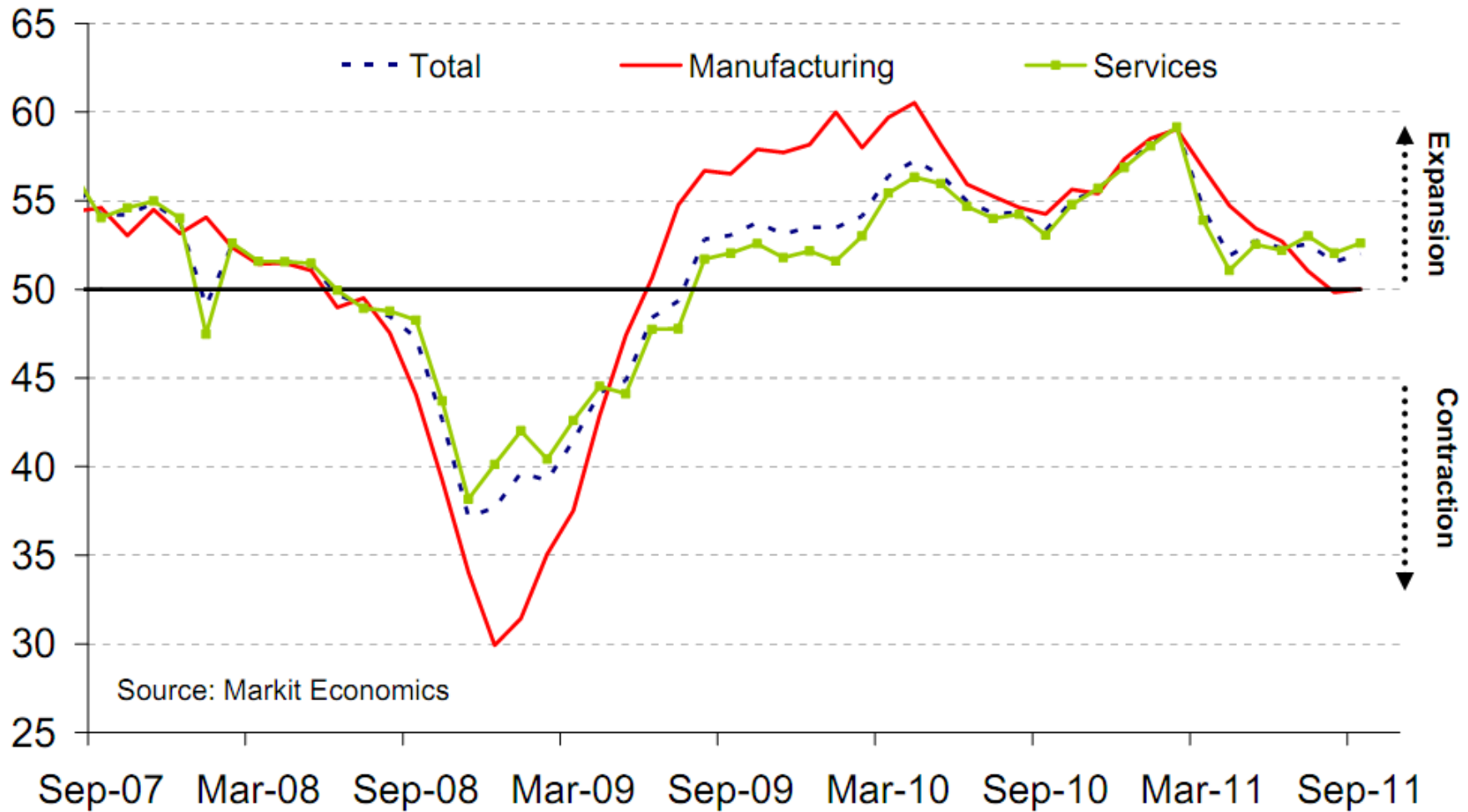
2011: Main Economic Themes

Economic Recovery Continuing very slowly and Q2 Growth is a Disappointment:

- With the exception of Germany and France economic growth in Q2 has been a disappointment.
- Japanese catastrophe has adversely impacted world economic growth but reconstruction efforts should boost growth subsequently.
- Economic weakness may moderate Inflationary fears eventually.
- Danger of asset bubbles still remain. Huge amounts of excess liquidity in system seeking investible assets.
- The banking system remains broken, thus, economies remain credit constrained. Bank profitability remains subdued.
- The Euro-Sovereign crisis is not yet resolved. The Greek debt situation remains serious. A debt restructuring with 'private sector participation' potentially imperils the banking system in Europe through further contagion.

Major slowdown in global economy

Global Output - PMI



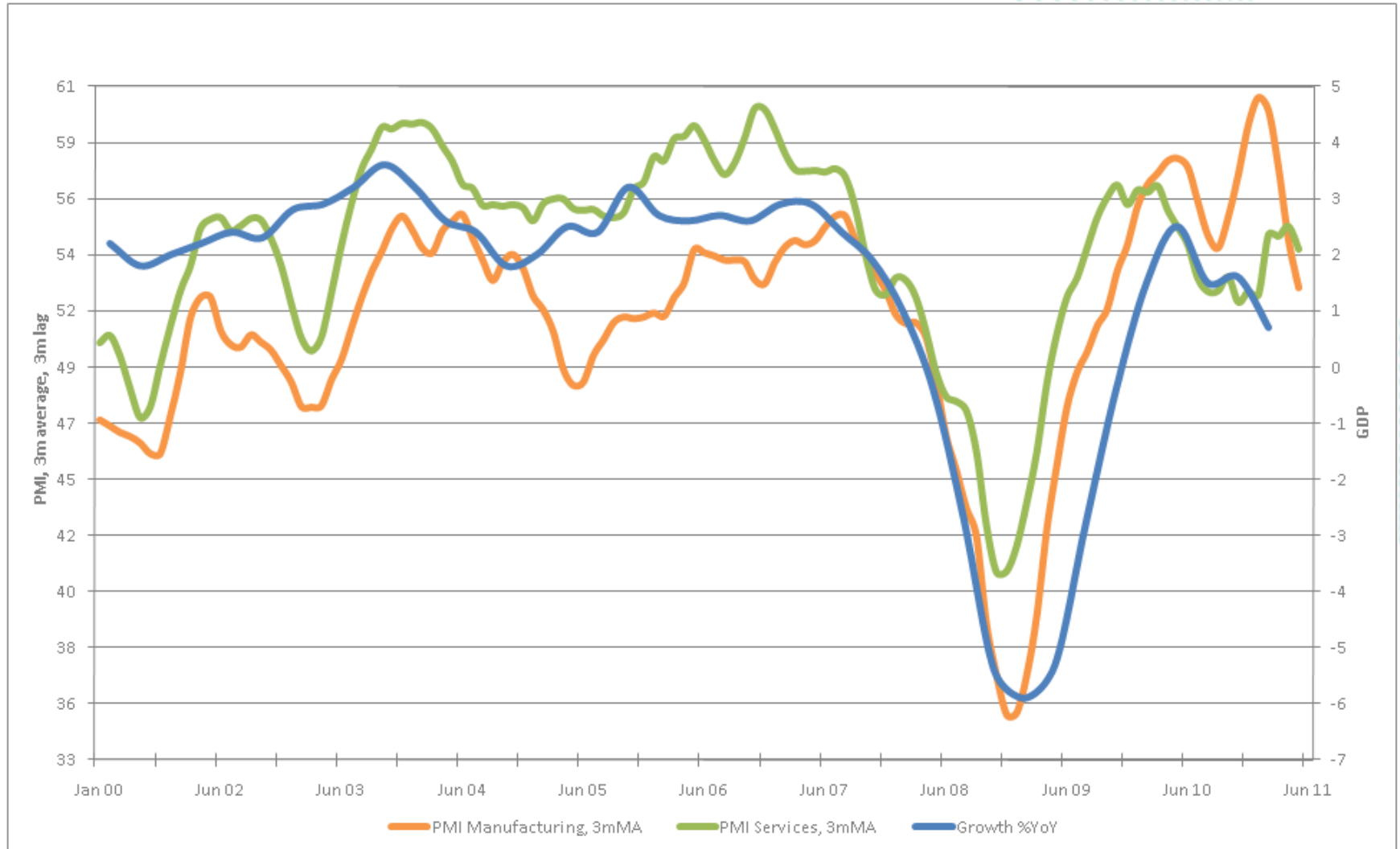
Source: Markit Economics

The UK

- UK Q2 real GDP, +0.2%, very weak, but Office of National Statistics, ONS, suggest 'special factors' reduced growth from a healthier +0.7%. If incorrect, 'double dip' looms.
- Headline inflation, although higher has been driven by factors beyond the reach of domestic monetary policy, commodity prices, weak currency and tax increases. It is close to peaking, but economic weakness reduces its importance as a signal.
- Government jobs cuts, tax increases and heightened uncertainty in world economy are all adversely affecting both business and consumer confidence, restricting one of the main drivers of the economy.
- Housing market remains moribund, a function of weak consumer confidence and restrictions in the banking system.
- Fiscal policy remains contradictory, negative for growth, consumer confidence and employment.
- More Quantitative Easing but will it work.
- Economic weakness rules out any move in Base rate until 2012. Markets are predicting no rate increase until Q3 2012. Could BOE cut base rate 0.5% in the short term?
- Are public sector cuts hurting the economy so much that the government should change course?

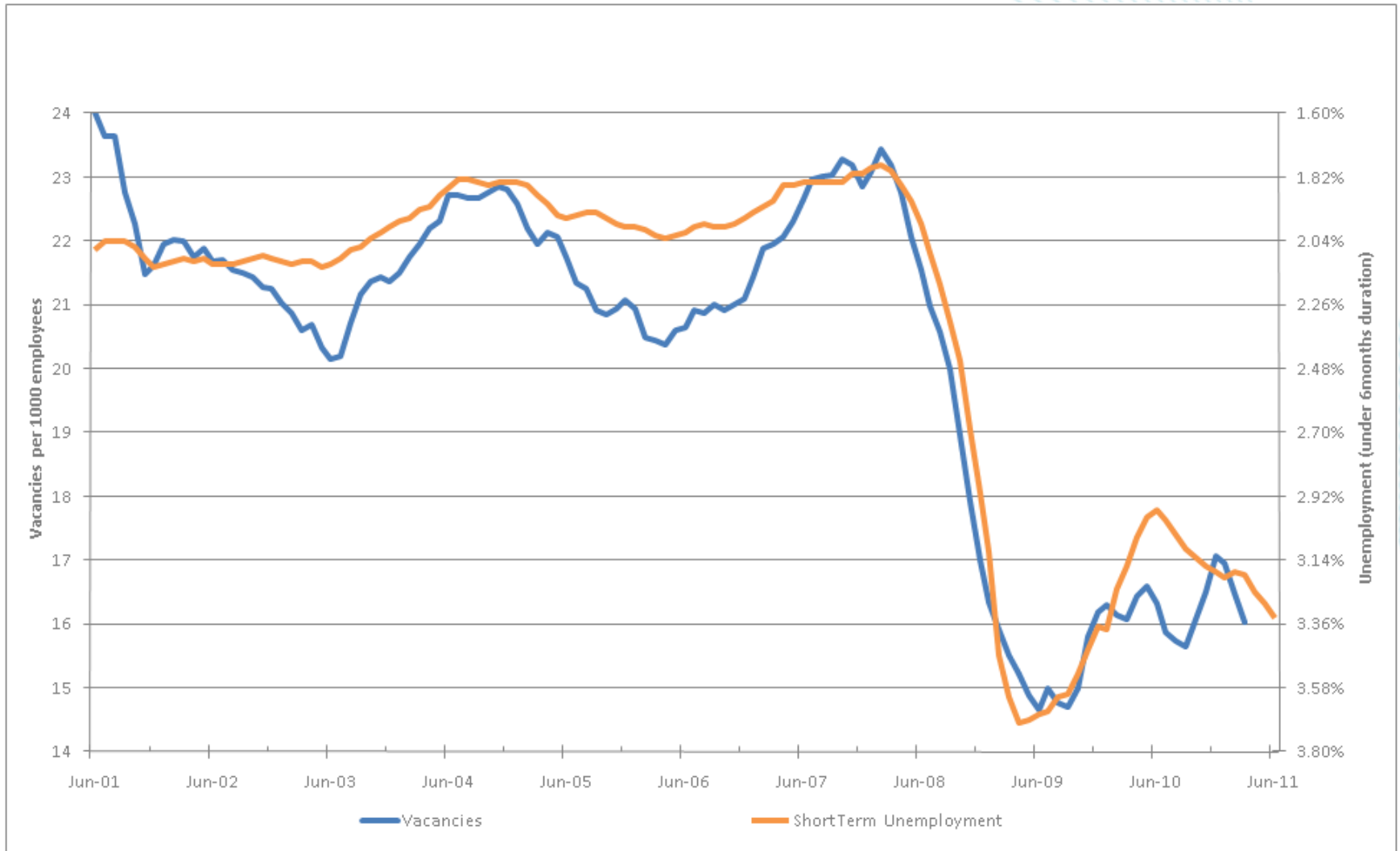
A look at the UK

Business sentiment falling



A look at the UK

whilst labour market remains weak



A look at the UK

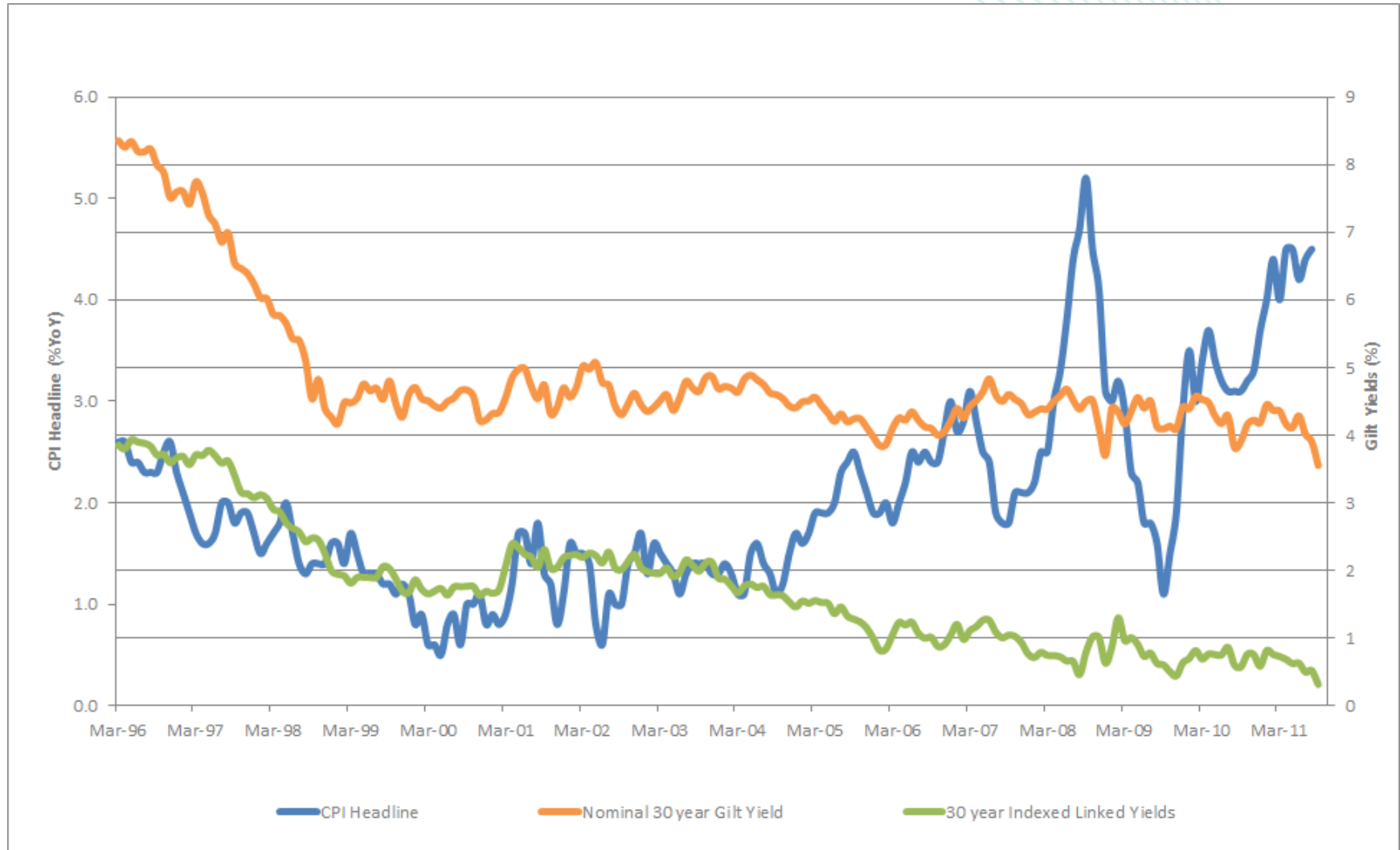
Little life in the housing market.



UK GDP vs. UK BoE Base Rate



UK Bond Yields and Inflation



UK Consensus Economic Forecasts

<HELP> for explanation.

Govt ECFC

#<GO> for details, Right click on values for related functions

Country/Region/World 96) Chart Contributor 97) Settings Contributor Composite Economic Forecasts
 81) EC Forecasts
 82) BOE Forecasts

Actual / Forecasts

Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Economic Activity										
1) Real GDP (yoy %)	3.00	2.20	2.80	2.70	-0.10	-4.90	1.40	1.10	1.70	2.00
2) CPI (yoy %)	1.35	2.04	2.32	2.34	3.61	2.18	3.31	4.40	2.40	2.00
3) Unemployment (%)	4.76	4.83	5.38	5.38	5.59	7.53	7.86	7.90	8.00	7.70
External Balance										
4) Curr. Acct. (% of GDP)	-2.07	-2.62	-3.38	-2.60	-1.66	-1.71	-2.54	-1.95	-1.40	-1.00
Fiscal Balance										
5) Budget (% of GDP)	-3.51	-3.27	-2.51	-2.49	-11.33	-13.12	1.63	-8.00	-6.10	--
Interest Rates										
6) Central Bank Rate (%)	4.75	4.50	5.00	5.50	2.00	0.50	0.50	0.50	0.50	--
7) 3-Month Rate (%)	4.89	4.64	5.32	5.99	2.77	0.61	0.76	0.87	1.11	--
8) 2-Year Note (%)	4.44	4.19	5.21	4.36	1.05	1.31	1.10	0.70	1.40	--
9) 10-Year Note (%)	4.54	4.10	4.74	4.51	3.02	4.02	3.40	2.49	3.30	--
Exchange Rates										
10) GBPUSD	1.92	1.72	1.96	1.99	1.46	1.62	1.56	1.55	1.64	1.67
11) EURGBP	0.71	0.69	0.67	0.73	0.95	0.89	0.86	0.86	0.85	0.83

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The Euro Zone

- The ECB remains pre-occupied by inflation concerns, raising rates a second time on 7th July to 1 ½%. They have acted early to protect the ECB's inflation fighting reputation but higher rates do not help periphery nations and their problems.
- The prolonged debate over the second Greek bail-out has de-stabilised markets, with contagion spreading and Italian, Spanish and French bond yields now under pressure. European leaders have this week reached agreement on an immediate solution, as follows:
 - A 50% write-off of Greek Debt
 - Recapitalisation of European Banks so they can absorb the write-off of bad loans to Greece.
 - An increase in the ECB stability rescue Fund from €440bn to €1 Trillion to support the debt markets of Italy, Spain , Portugal and Ireland.

MARKET REACTION

- Stocks rose in the UK, US and across Europe, while the euro rallied strongly and sterling fell against most major currencies and bond markets in the US, UK and Germany also fell as their perceived recent safe haven status reduced.
- So, crisis in the markets is averted in the short term but a more comprehensive solution to the problems is still required for the long term – **more fiscal integration and ECB reorganisation.**

MARKETS

Comparison of UK Asset Prices



UK Stock Market since the start of the recession & Financial Sub-Prime Crisis



Source: Bloomberg

UK Stock Market this year



12-Month Sterling/Euro Spot Exchange Rate



Current Major World Stock Markets

<HELP> for explanation. EquityWEI
 # <GO> for Index Sector Breakdown

95) Edit Defaults 96) News World Equity Indices

Movers Volatility Ratios Pre-Market Display Name Cur. USD Year To Date

	Value	Net Chg	%Chg	Time	% Ytd	% YtdCur
1) Americas						
4) DOW JONES INDUS. AVG	11869.04	+162.42	+1.39%	10/26	+2.52%	+2.52%
5) S&P 500 INDEX	1242.00	+12.95	+1.05%	10/26	-1.24%	-1.24%
6) NASDAQ COMPOSITE INDEX	2650.67	+12.25	+0.46%	10/26	-0.08%	-0.08%
7) S&P/TSX COMPOSITE INDEX	12186.06	+76.31	+0.63%	10/26	-9.35%	-9.54%
8) MEXICO IPC INDEX	35818.58	+528.43	+1.50%	10/26	-7.09%	-13.54%
9) BRAZIL BOVESPA INDEX	57143.79	+857.80	+1.52%	10/26	-17.55%	-22.16%
2) EMEA						
10) Euro Stoxx 50 Pr	2424.06	+89.00	+3.81%	9:34	-13.20%	-9.14%
11) FTSE 100 INDEX	5672.21	+118.97	+2.14%	9:34	-3.86%	-1.42%
12) CAC 40 INDEX	3289.50	+119.88	+3.78%	9:34	-13.54%	-9.49%
13) DAX INDEX	6238.12	+222.05	+3.69%	9:34	-9.78%	-5.55%
14) IBEX 35 INDEX	9072.00	+239.50	+2.71%	9:34	-7.98%	-3.67%
15) FTSE MIB INDEX	16703.92	+632.00	+3.93%	9:34	-17.20%	-13.32%
16) AEX-Index	311.58	+7.74	+2.55%	9:34	-12.12%	-8.01%
17) OMX STOCKHOLM 30 INDEX	1010.90	+27.82	+2.83%	9:49	-12.52%	-9.01%
18) SWISS MARKET INDEX	5805.80	+105.30	+1.85%	9:34	-9.79%	-3.80%
3) Asia/Pacific						
19) NIKKEI 225	8926.54	+178.07	+2.04%	7:28	-12.73%	-6.67%
20) HANG SENG INDEX	19688.70	+622.16	+3.26%	9:01	-14.53%	-14.51%
21) S&P/ASX 200 INDEX	4348.20	+105.70	+2.49%	6:36	-8.37%	-5.27%

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Current Major World Bond Markets

<HELP> for explanation. Corp WB
 1,2 or 3 for more markets;91 for Yields;92 for Spreads;93 for Yieldcurves

98) Markets 99) View World Bond Markets

Maturity 10 Year

		Current Pricing Information						Yield Change		
		Price	Chg	C	Yield	Chg	Time	Source	Ann	6Mon
1) North/Latin America										
4)	UST 2yr	T 0 1/4 10/13	99-30	+ 00+		.281	0	9:47	CBBT	-13 -36
5)	UST 10yr	T 2 1/8 08/21	98-31	- 11		2.244	+4	9:47	CBBT	-48 -111
6)	UST 30yr	T 3 3/4 08/41	109-08+	- 26+		3.261	+4	9:47	CBBT	-80 -119
7)	Canada 10yr	CAN3 1/4 06/21	107.493	-1.067		2.371	+12	10/26	BGN	-52 -90
8)	MX Global 10yr	MEX8 09/24/22	138.250	-3.250		3.702	+29	7:25	CBBT	+12 -52
9)	BR Global 9yr	BRAZIL4 7/8 21	110.578	+1.153		3.521	-2	9:48	CBBT	+12 -65
10)	CO Global 10yr	COLOM 4 3/8 21	103.905	-.845		3.887	+10	9:40	CBBT	n/a n/a
2) Europe/Africa/Middle East										
11)	UK 10yr	UKT3 3/4 09/21	110.775	-.400		2.509	+4	9:47	CBBT	-64 -106
12)	France 10yr	FRTR 3 1/4 21	102.150	+4.65		2.997	-5	9:48	CBBT	+7 -64
13)	Germany 10yr	DBR2 1/4 09/21	101.205	-.705		2.113	+8	9:48	CBBT	-45 -118
14)	Italy 10yr	BTPS 4 3/4 21	93.315	+1.145		5.723	-17	9:47	CBBT	+181 +92
15)	Spain 10yr	SPGB 5 1/2 21	101.770	+1.385		5.254	-19	9:48	CBBT	+108 -21
16)	Sweden 10yr	SGB3 1/2 06/22	114.480	-.684		1.970	+7	9:47	BGN	-90 -124
17)	Dutch 10yr	NETHER3 1/4 21	106.630	-.420		2.472	+5	9:48	CBBT	-28 -111
18)	Swiss 10yr	SWISS 2 04/21	109.319	-.476		.967	+5	9:47	BGN	-59 -107
3) Asia/Pacific Rim										
19)	Japan 10yr	JGB1 09/20/21	99.982	-.135		1.002	+2	6:59	BGN	+7 -20
20)	Australia 10yr	ACGB 5 3/4 21	109.565	-.912		4.505	+11	9:47	CBBT	-66 -95
21)	N Zealand 10y	NZGB 6 05/21	112.110	-.639		4.430	+8	9:47	CBBT	-69 -118

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Great Western Mainline Western Access to Heathrow

Dan Panes, First Great Western

Content

- Status
- Solution
- Next Steps

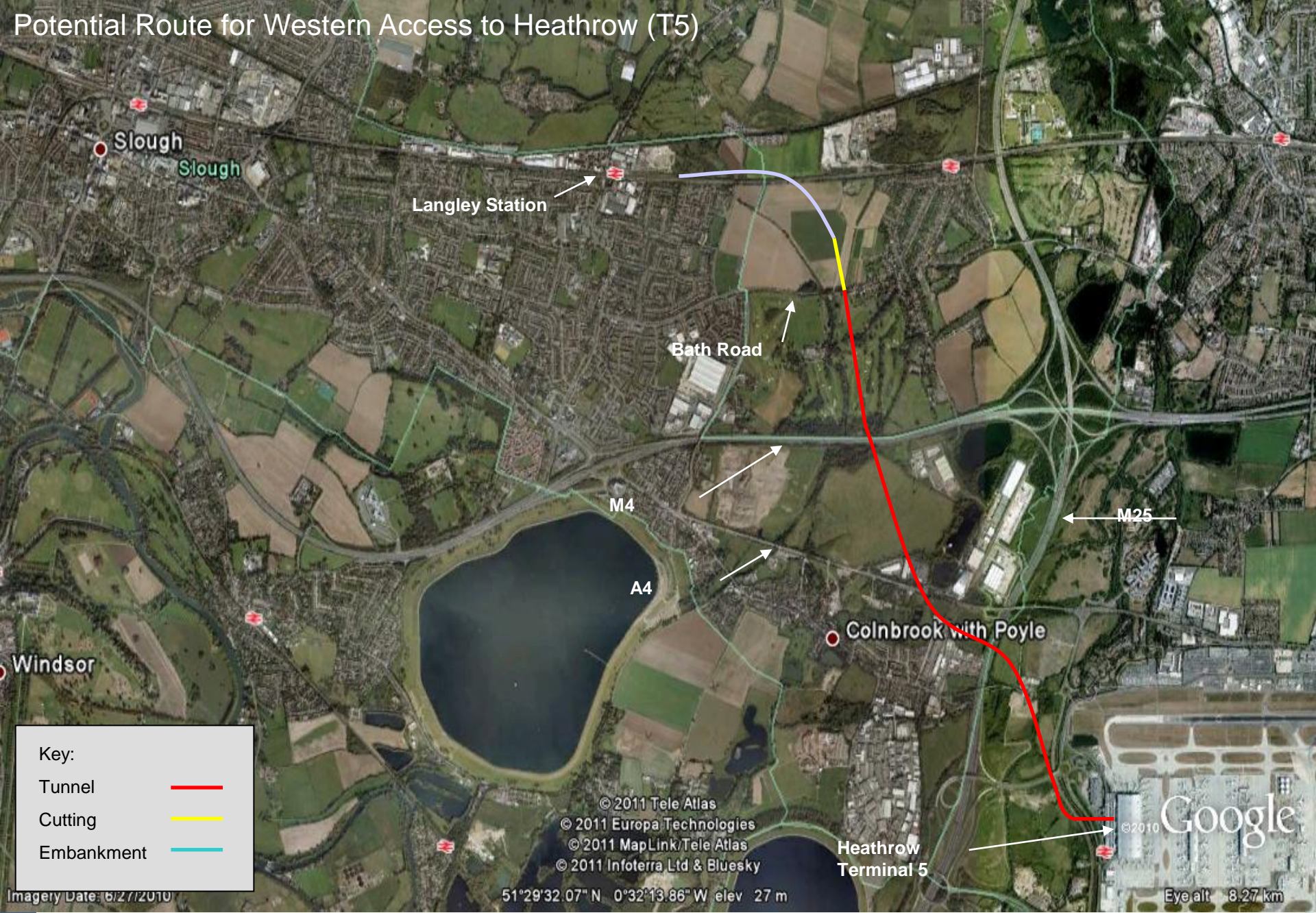
Status

- Current options for passengers to Heathrow from Swindon are:
 - Change at Reading on to RailAir coach link (1hr 10 minutes journey time) to T1,2 & 3
 - Continue to Paddington for Heathrow Express (1hr to Paddington and 15 minutes to Terminals 1,2 & 3 or 21 minutes to T5)
- No direct rail link from Reading & Swindon
- Airtrack rail plan (Heathrow to Staines) has been withdrawn as a practical solution by BAA
- Western rail access therefore relies on a connection from the Great Western Mainline

Solution

- London & South East RUS recommends the development of a Western access scheme
- Two platforms at Terminal 5 already exist
- Various options for a route exist for a connection to the Great Western Mainline, however the most feasible appears to be:
 - West from Terminal 5 with a tunnel
 - Line heads North East under A4, M4 and golf course
 - Rises to ground level through fields
 - Crosses existing mainline as a flyover and joins east of Langley Station
- Route length is c6 kilometres

Potential Route for Western Access to Heathrow (T5)



Benefits

- Journey times
 - Swindon to T5 total time of 58 minutes
- Customer benefits
 - At least 18 minutes time improvement compared with Heathrow Express
 - Potential for cross platform changes at Reading
- Possible extension of through services from Paddington (i.e. London, Heathrow, Slough Reading)
 - Identified as a capacity benefit by London South East Rail Utilisation Strategy

Lemon&Co

Employment Law Update and Other Hot Topics

Presented by Lauren Harkin

Monday, 07 November 2011

The Equality Act 2011

- The Act introduces a new concept of protected characteristics to encompass all the existing types of discrimination
- There are nine protected characteristics which are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation
- There are no qualifying times for bringing claims under the Act and employees are protected against discrimination from the first day of their employment
- Includes workers

End of the Default Retirement Age

- From 6 April 2011 any compulsory retirement of an employee is now an unfair dismissal and an act of age discrimination
- Big shift from the previous law which meant that any employee could be compulsory retired simply because they reached the age of 65 providing the statutory retirement procedure was followed
- The end of compulsory retirement ages??
- The justification defence – is the retirement age a proportionate means of achieving a legitimate aim

Maternity and Paternity Leave Update

- April 2011 – The Additional Paternity Leave Regulations
- Mothers are now able to transfer the second half of their maternity leave entitlement to the Father
- Impact on employing temporary maternity cover
- Difficult to check the truthfulness
- Concern employers are becoming wary of employing women in their 20s and 30s which could increase age discrimination claims

The Bribery Act

- The Bribery Act 2010 came into force on 1 July 2011. The Act repeals and replaces England's old, much-criticised, laws on bribery with a new comprehensive anti-bribery code.
- There are four offences:
 - paying bribes
 - receiving bribes
 - the bribery of foreign officials and
 - the failure of commercial organisations to prevent bribery.
- Ensure anti-corruption procedures are robust
- Reasonable hospitality is generally ok

The Agency Worker Regulations

- There are two general points of principle in the Regulations:
 - from day one, agency workers must have equal access to facilities (like the canteen) unless there is an objective justification for not providing access and agency workers must have access to information about job vacancies
 - after 12 weeks in the same job, agency workers are entitled to equal treatment in relation to basic working conditions including most aspects of pay
- No retrospective effect
- The right to equal treatment after 12 weeks applies to pay, the duration of working time, annual leave, night work and rest breaks (like lunch breaks)

Supreme Court Guidance on Employee Status

- In August 2011 the Supreme Court ruled that for a contract to be deemed a 'sham', it is not necessary to show that the parties intended to deceive
- It is enough that the reality of the situation is very different from the written terms and conditions.
- Each car valet signed a written contract describing them as “a self-employed independent contractor” with an express acknowledgement that they were not an employee, they paid their own tax, there was a substitution and a no obligation clause
- Despite the contracts, the Court decided that the reality of the situation was that the valeters were employees

On the Horizon for 2012

Employment Tribunals Increase Continuous Employment Threshold to 2 Years

- Currently employees need to be employed for one year before they can claim unfair dismissal unless the dismissal is automatically unfair or for a discriminatory reason
- This will double to 2 years from April 2012
- Introduced to make life easier for small businesses by encouraging business to employ more people
- Last year 236,000 employment tribunal claims with an average award of £8,900

Introduction of Employment Tribunal Fees for 2013

- A fee for bringing an employment tribunal claim will be charged for the first time from April 2013
- There will be a refund when an individual wins their case
- The amount is under consultation with a suggested introduction fee of £250, and a further £1,000 fee to take the matter to a hearing
- Higher fees where damages of more than £30,00 are sought
- Poor Claimants to be assessed

Pension Reforms

- The Pensions Act will take a gradual effect from 2012 depending on the size of the employer
- All employers must offer a qualifying workplace pension scheme and automatically enrol eligible employees
- At least 8% of an employee's qualifying earnings must be paid into a pension – 3% employer, 4% employee and 1% tax relief
- How to prepare:-
 - Decide what type of pension provision to make for staff
 - Examine the existing scheme
 - Consider cost implications and ensure payroll and HR can cope

The Olympic Games – How Will This Affect Your Business

- Dealing with requests for time off fairly
- Dealing with unauthorised absences

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Dr Kegang Wu

Executive Director, BCC LinkToChina

The next China Strategy:

Money, places & people

Swindon Chamber of Commerce Business Leaders' Forum

Questions?