September 2014

QCA/BDO
SMALL & MID-CAP SENTIMENT INDEX

ISSUE 12

OPTIMISM CONTINUES TO DECLINE

ANTICIPATION BUILDS FOR AN INTEREST RATE RISE

CORPORATE REPUTATION EMERGES AS A DIFFICULT ISSUE FOR QUOTED COMPANIES

QUOTED COMPANIES ALLIANCE

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INTRODUCTION

SCOTT KNIGHT, PARTNER, BDO LLP

After confidence amongst both small and mid-cap businesses and advisors alike peaked in January 2014, sentiment plateaued in April 2014 as the initial exuberance that the economy had turned a corner began to fade. This quarter, we are largely seeing a continuation of the stabilisation of sentiment, although it is encouraging to see the hiring intentions of small and mid-cap companies looking particularly buoyant: mean employment change is now at an all-time high. However, with worries of an interest rate rise coming sooner than previously anticipated, renewed concerns of a dangerous housing bubble looming and increasing tensions in the Middle East, it is of little surprise that businesses are still not allowing themselves to become overly confident about their prospects.

Mixed signals but still broadly positive

A recent report by the British Chambers of Commerce shows exports waning and business investment weakening, demonstrating that the concerns over confidence are translating into business decisions which, if not tackled, could translate into very tangible effects on the economy.

There is, however, a definite overriding positivity suggesting businesses are looking towards growth in the near term: 76% of small and mid-cap quoted companies expect employee numbers to increase over the next 12 months (a 5% increase on the previous quarter) and the expected mean employment change over the next 12 months is 7.1% – the highest since the survey began. Furthermore, whilst a smaller number of firms foresee a turnover increase over the next 12 months, fewer firms than last quarter (8% in April 2014 vs 6% in July 2014) actually foresee a decrease in turnover over the following 12 months.

Is bank finance making a return to popularity?

A further indicator of confidence in the general economic situation is the increasing popularity of using bank finance to raise capital: 41% of companies would look towards bank finance as their preferred method of raising capital; the highest figure since the survey began three years ago. This suggests businesses are more confident in the stability of their balance sheets and further indicates that banks are beginning to relax their lending criteria as the economy improves. Furthermore, given many businesses are reporting that public equity options are softening due to the flurry of IPOs and high gearing is becoming less of an issue, bank finance is starting to look like a more favourable option.

Interest rates may rise sooner than previously anticipated, but is it a concern?

However, it does appear that the uncertainty over interest rates needs to be resolved before we start to see renewed upward growth in confidence. Although a startlingly high number of small and mid-cap companies claim an interest rate rise will not affect them, there are obviously expectations that an interest rate will come sooner rather than later. In January 2014, the most popular date for an expected rate rise was Q2 2015 by both small and mid-cap companies and advisors. In this survey, the most popular date for a rate rise, by both groups, is Q4 2014 – six months earlier than previously anticipated.

A marginal rise in interest rates will perhaps be the stimulus needed to improve confidence: the current lack of certainty, coupled with concerns that low interest rates could tip us over the edge into a house price crisis, may only be resolved if businesses can be shown at first hand that an interest rate rise will have a negligible effect on business prospects.

EXECUTIVE SUMMARY

TIM WARD, CHIEF EXECUTIVE, THE QUOTED COMPANIES ALLIANCE

Our survey this quarter shows that confidence amongst small and mid-cap quoted companies and advisors remains high. However we are receiving mixed signals as we move from a sprint away from recession to a more sustained steeple chase towards a wealth-creating economy. The years where companies were focused, almost exclusively, on what was happening within their company – concentrating on cash, costs and headcount – have moved towards a more outward facing, market-led attitude. Favourable market conditions and strong sales pipelines are the most mentioned factors driving companies' confidence in their business prospects, whilst this is tempered by uncertain business prospects and unfavourable economic conditions for those companies who are negative about their prospects.

Explain your business model

This suggests that, as we look forward to a period of a more robust economy, it is important for companies to really understand the key drivers of their business model and how their strategy is going to deliver long-term value for shareholders. Their ability to explain this to investors will be tested as IPOs continue to prevail and more companies raise secondary equity capital.

Mixed signals about growth

Companies are still expecting to create more jobs; average growth in jobs is now expected to be 7.1%, up from 5.8% in April. Growth in sales revenue has fallen to 13.5% from 15.7% in the previous quarter.

Overall, companies remain confident. But there is a strong feeling that, as we build our growing economy, companies will need to be more flexible in their outlook and be aware that circumstances can change.

Understanding change

We asked in this survey when companies expect interest rates will change. The vast majority of companies believe that the first step in this process will either happen in the last quarter of this year or the first quarter of next year. It is generally believed that the change in interest rates will be gradual, rather than a significant step-change. However, we have lived with uncharacteristically low interest rates for some time and many consumers, suppliers and other stakeholders may have started to feel that this is the norm. The absolute change in interest rates initially may be small, but the psychological change in mind-set could be very significant. Therefore it is a little surprising to see that only about one third (36%) of companies have done any scenario testing for a higher interest rate environment. A further 22% do intend to do so, but this still leaves a third of companies who do not intend to look at this. This lack of scenario planning gives cause for concern if this is extrapolated across other economic hurdles that companies may have to jump over in the next few years. The level of interest rates is just one issue; exchange rates are another; and energy costs and wage rates are also key factors.

Finance is key

As ever, we look at access to finance which is prevalent in all companies' thinking. Half (50%) of companies intend to raise capital over the next 12 months, with 50% of companies preferring public equity as the source of their finance. 41% prefer bank finance, which has steadily increased in terms of preference since April last year. Both public equity and bank finance are seen as being relatively easy to access, with only 10% of companies saying that public equity is hard to get hold of – how times change. But 24% of companies still say that bank finance is hard to access.

Take heed of mixed signals

If the equity markets remain open then companies can retain an outward facing, market-led approach. They should be looking ahead for the hurdles and planning for a number of different scenarios. The mixed signals emanating from an overall confident community of small and mid-cap quoted companies should not be dismissed out of hand. We face a long-distance race towards a healthy economy with many twists and turns on the way.

HIGHLIGHTS

84%

of small and mid-cap quoted companies are optimistic about prospects for the UK economy over the next 12 months – **up by 2% from April 2014.**

85%

of small and mid-cap quoted companies are optimistic about their own business prospects over the next 12 months – **down 3% on April 2014.**

76%

of small and mid-cap quoted companies are expecting to increase employee headcount over the next 12 months **and the mean expected employment change (+7.1%) has risen to the highest level since the survey began.**

83%

of small and mid-cap quoted companies expect to increase sales in the next 12 months, with the average expected growth in turnover at +13.5 – **the lowest for this year.**

Public equity remains the most popular choice for raising finance, although bank finance is becoming an increasingly favoured option.

46%

of small and mid-cap quoted companies believe interest rates will rise before the end of 2014, **with a further 51% anticipating a rise in 2015.**

48%

of small and mid-cap quoted companies believe **there will be no impact on their business if interest rates rise.**

36%

of companies have completed scenario testing for a rise in interest rates, although **a further 22% are planning to do so.**

44%

of small and mid-cap quoted companies have experienced allegations or rumours being made on the internet, **with nearly three quarters (71%) of those companies reporting that these comments have originated from online discussion forums.**

BUSINESS CONFIDENCE

Confidence in the UK economy amongst small and mid-cap quoted companies was back on the rise again this quarter after a decline in the second quarter of 2014 broke six consecutive quarters of growth.

On a scale between 0 and 100, where the 50 mark separates optimism (51-100) from pessimism (0-49), small and mid-cap quoted companies currently rank prospects for the UK economy at 67.5 compared to 66.4 in April. Advisors' confidence continued to decline, with confidence sliding from 68.4 in April to 66.4 in July. Net optimism amongst both quoted companies and advisors is still positive, with the number of those feeling positive or neutral about the economy's prospects outweighing those with a negative outlook. However, it has fallen almost 20% for both companies and advisors since the beginning of this year.

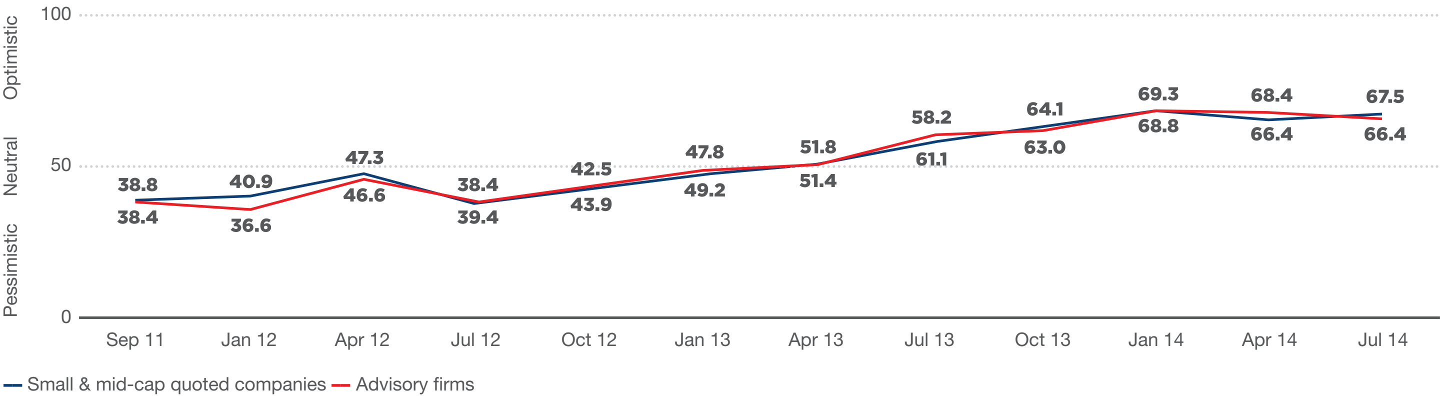
The UK economy grew by a further 0.8% between April and June, with the economy now 0.2% bigger than it was in early 2008 – the first time it has got back to pre-recession levels. This positivity is further backed by news from the IMF which predicts the UK economy will grow by 3.2% this year, faster than any other major economy. Such growth forecasts are music to George Osborne's ears; the Chancellor already is claiming the figures are "a major milestone in the Government's long-term economic plan."

However, whilst the overall picture may be rosy, it is the performance within individual subsectors which are likely to be weighing on business leaders' minds: the manufacturing sector expanded by just 0.2% between April and June, its weakest growth for more than a year, and the construction industry shrank by half a percent – the first time the sector has declined since the beginning of 2013. It is only the services sector which has failed to decline during the downturn.

Confidence is also being hit by concerns of an imminent interest rate rise: the Governor of the Bank of England, Mark Carney, warned in July that Britain risks a return to recession and a "dangerous" housing bubble if interest rates are left at an all-time low for too long. Low interest rates mean consumers are less wary about taking on more mortgage debt to afford a new home. When interest rates rise, consumers will be forced to cut back on their spending in order to meet mortgage repayments which will hit businesses hard. However, a degree of slack still remains in the labour market and, until this can be balanced against the sustained economic momentum, an interest rate rise would seem unlikely.

Whilst businesses were buoyed in the previous quarter by reports that we were returning to a period of economic growth, reality appears to have set in this quarter. Innovation amongst British businesses continues, but appetite to export appears to be waning. The British Chambers of Commerce reported that exports and business investment weakened in the second quarter of 2014: a tangible measure that confidence still has some way to go before we can be assured of improving confidence as each quarter passes.

How optimistic or pessimistic do you feel about the UK economy over the next 12 months? (Mean score)



QCA/BDO VIEW

After a marked improvement in the economy in the first quarter of this year saw confidence leap amongst small and mid-cap companies, confidence appears to have stabilised now. The excitement of renewed growth has worn off and fears of interest rate rises begin to take hold. With confidence waning, small and mid-cap companies are still waiting for the Government to produce a realistic long term plan for growth.

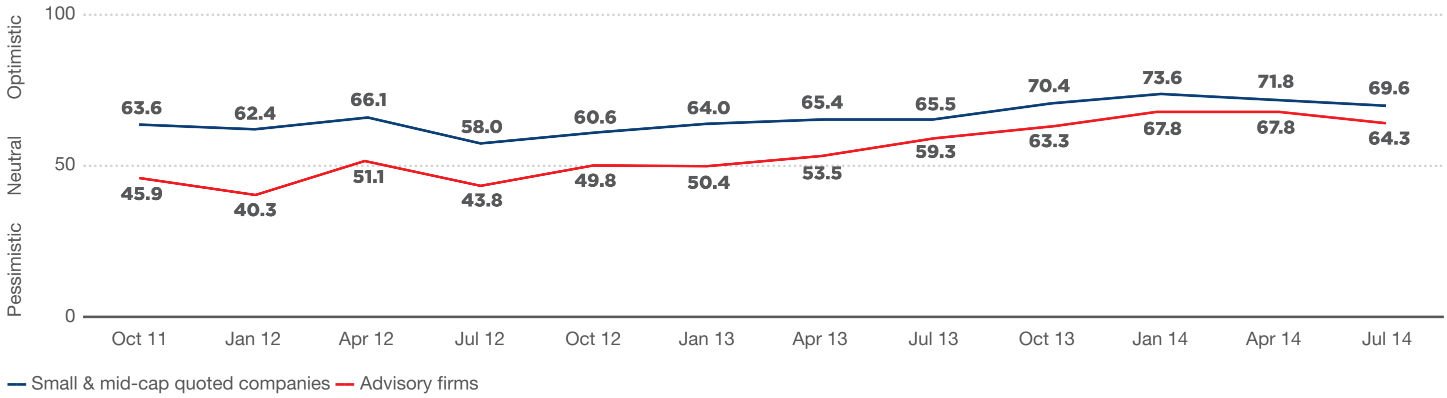
“[We are] small enough not to be caught by the flak that will hit the bigger players in our market.”

Small and mid-cap company’s viewpoint

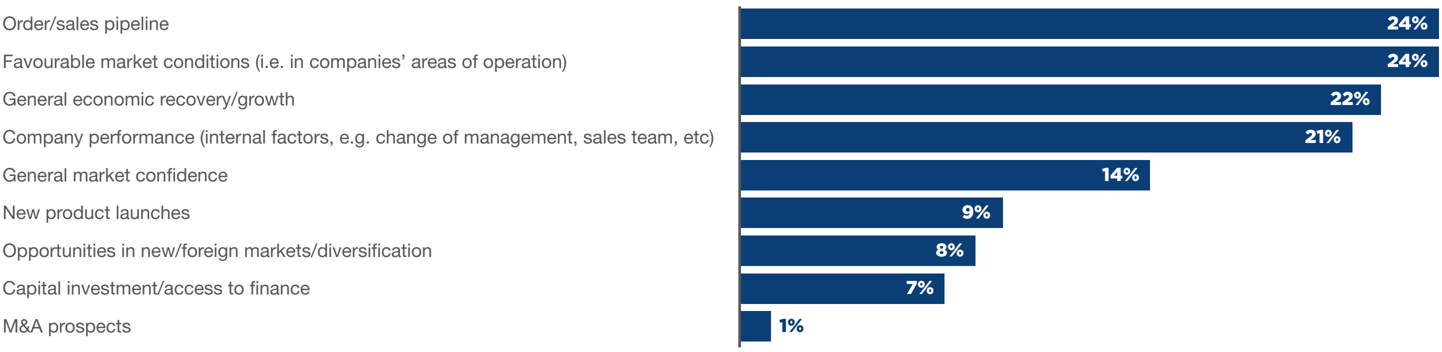
Optimism in small and mid-cap quoted companies’ business prospects has also fallen. Companies now rank their own prospects for the next 12 months at 69.6 – down over two points from April’s figure of 71.8. Advisors’ optimism in small and mid-cap quoted companies’ prospects has fallen more sharply to 64.3 (April: 67.8). Whilst at a net level more participants are confident than the combined total of those who feel neutral or negative about business prospects, net optimism in small and mid-cap companies’ business prospects amongst companies and advisors has fallen from 43% in April to 28% for companies and from 28% in April to 6% for advisors.

It is perhaps unsurprising that one of the two leading drivers of confidence in companies’ business prospects is favourable market conditions: businesses are buoyed by strong customer demand, low interest rates and rising asset values. 24% of companies cited favourable market conditions as a leading driver of confidence. Interestingly, 24% of companies also cited their order/sales pipeline as a primary driver for growth. Uncertain business prospects is the most commonly selected negative factor affecting business prospects. This suggests that, despite the positive signs from the economy, businesses still lack certainty about the economic situation going forward.

How optimistic or pessimistic do you feel about your own company’s prospects/small and mid-cap prospects over the next 12 months? (Mean score)



Positive factors currently driving level of confidence in small and mid-cap companies’ business prospects in the coming 12 months (Small and Mid-Cap Companies)

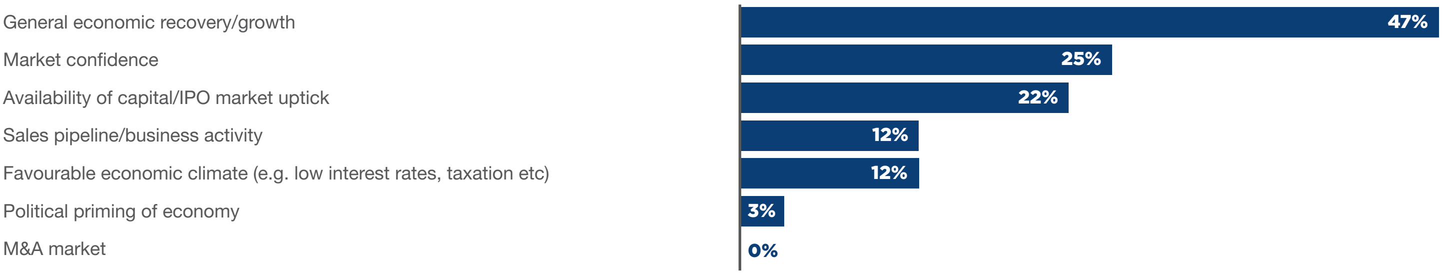


Base: Small and mid-cap quoted companies mentioning positive factors

“There is a buzz in the market and it will lead to confidence and confidence leads to pro-active business decisions – even if not the right ones.”

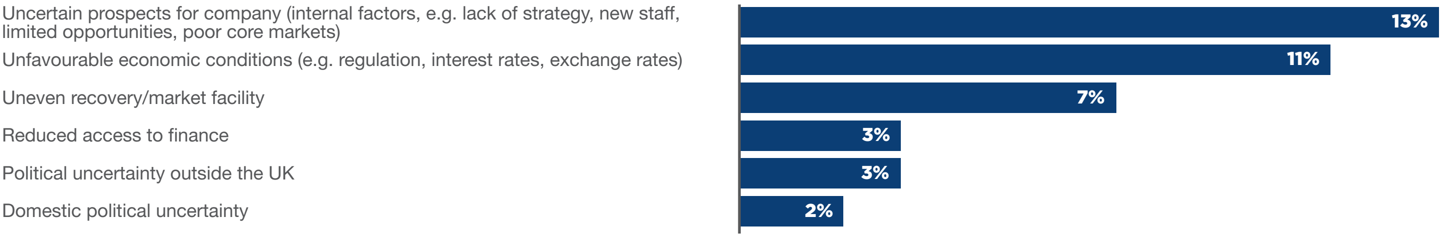
Small and mid-cap company’s viewpoint

Positive factors currently driving level of confidence in small and mid-cap companies’ business prospects in the coming 12 months (Advisors)



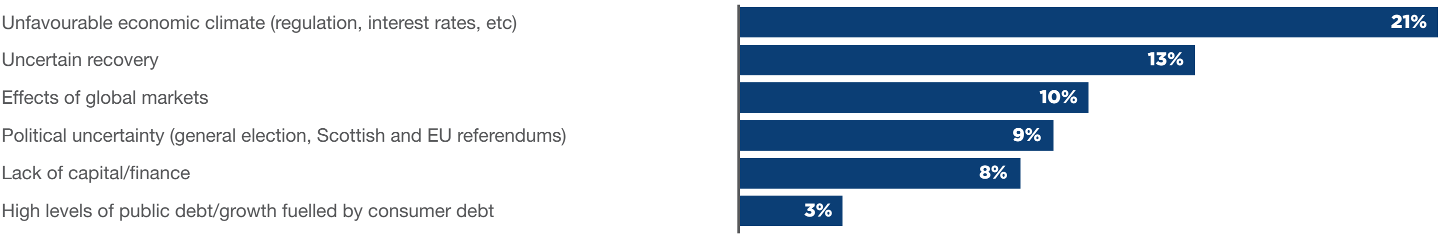
Base: Advisors mentioning positive factors

Negative factors currently driving level of confidence in small and mid-cap companies’ business prospects in the coming 12 months (Small and mid-cap quoted companies)



Base: Small and mid-cap quoted companies mentioning negative factors

Negative factors currently driving level of confidence in small and mid-cap companies’ business prospects in the coming 12 months (Advisors)



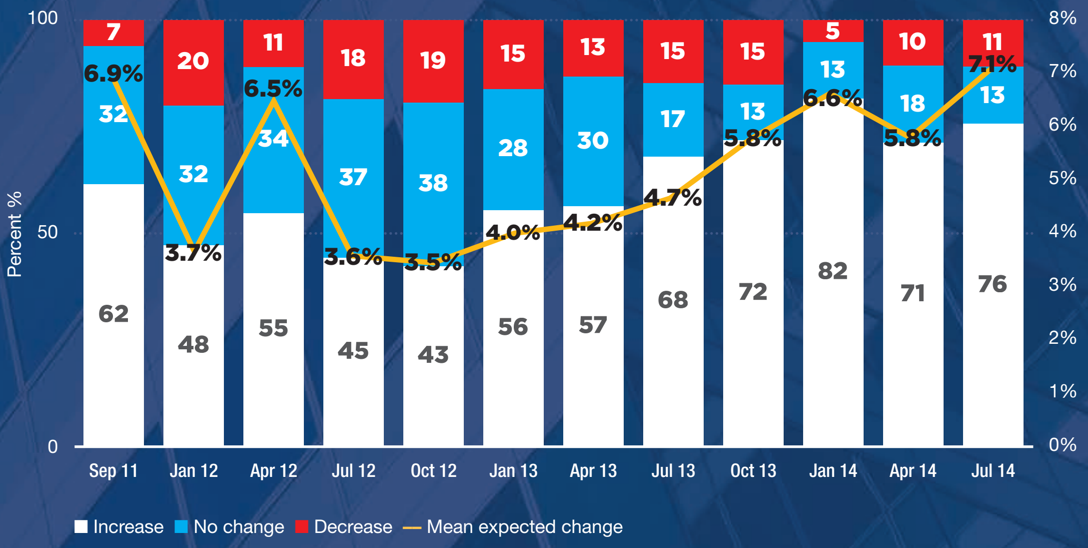
Base: Advisors mentioning negative factors

FUTURE EXPECTATIONS

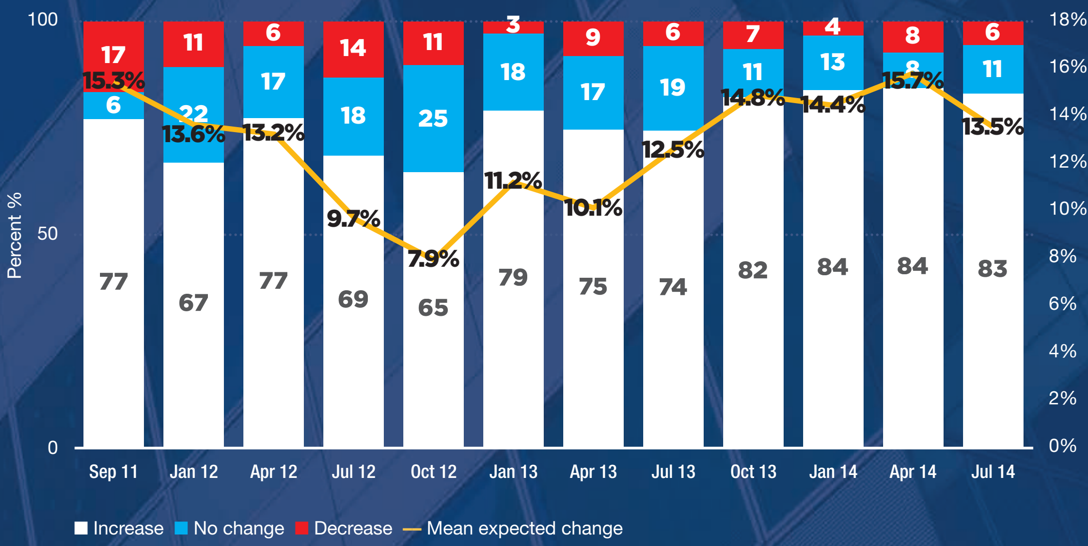
After a decline in the first quarter of 2014, 76% of small and mid-cap quoted companies now expect employee numbers to increase over the next 12 months – a 5% increase on the previous quarter. Perhaps most telling is that the mean expected employment change over the next 12 months is 7.1% - the highest figure recorded since the survey began in September 2011.

In terms of turnover, small and mid-cap companies showed the same level of cautious optimism as was demonstrated in confidence levels with the economy. Whilst slightly less companies anticipated an increase in turnover over the next 12 months (83% vs 84% in Q2), 11% believed turnover would stagnate over the next 12 months.

Do you expect the number of full time employees in your business to increase or decrease over the next 12 months?



By how much do you expect your turnover to change in the coming 12 month period?



QCA/BDO VIEW

We are encouraged to see that companies' employment prospects are back on the rise following a blip in Q1 of 2014. With the mean expected rise in employment at its highest since the survey began, companies are seeing revenues increasing, which, in turn, means a heavier workload. Turnover expectations are disappointing however, especially as last quarter turnover expectations were at their highest levels since the survey began in September 2011. Nonetheless, these turnover estimates are indicative of overall business sentiment at the moment. Wavering optimism in the UK economy and small and mid-cap companies' business prospects, combined with the mixed signals regarding employment and turnover growth, should send signals to the Government that they need to work harder to provide the advice, support and reassurance these companies need.

FUNDRAISING

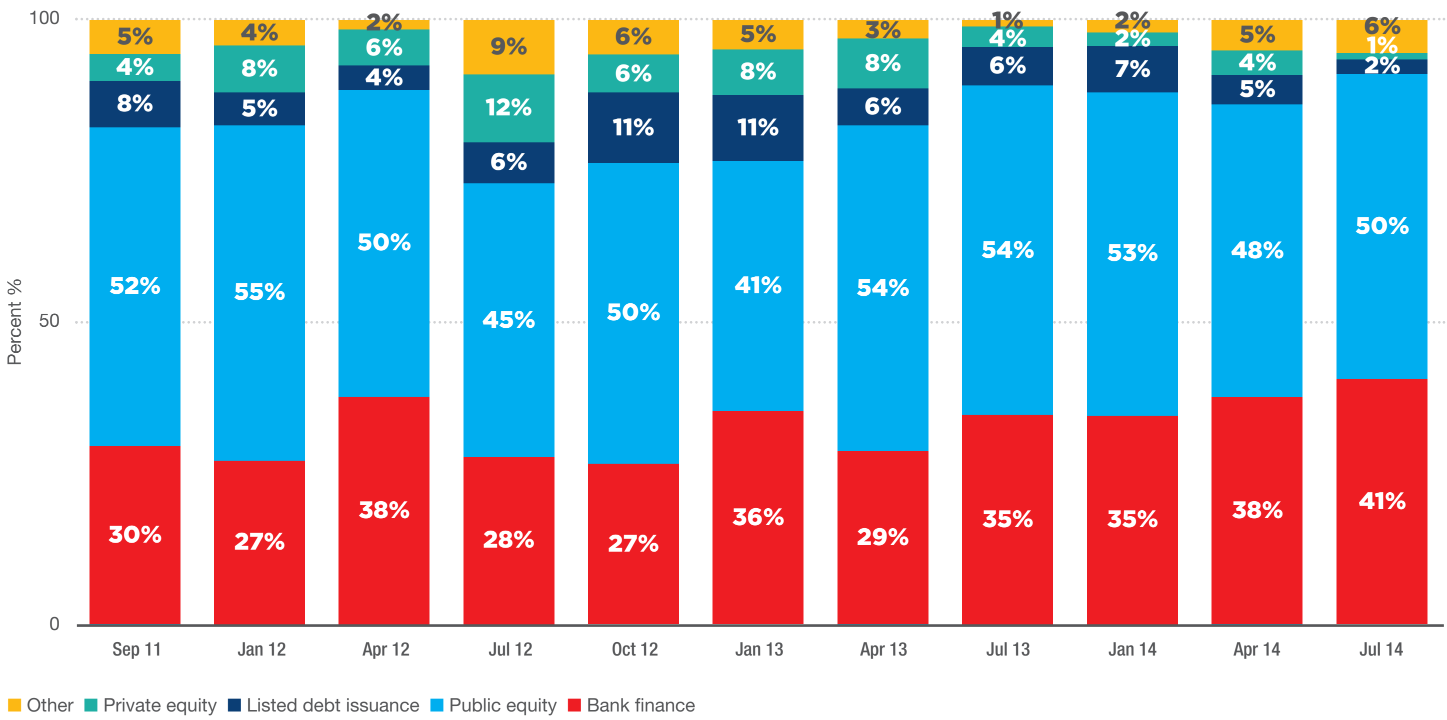
Small and mid-cap companies' attitude to raising capital over the next 12 months has remained the same, with 50% of companies planning to raise funds over the next 12 months. Perhaps unsurprisingly, half of small and mid-cap quoted companies would prefer to raise capital through public equity.

Bank finance remains the second most popular method of raising finance, and its popularity has grown a further three percentage points this quarter to 41% – the highest since the survey began in September 2011. Banks have been working to make it easier for business to raise finance, with asset based lending criteria being increasingly used ahead of traditional cash flow loans, helping young, fast-growth enterprises who would not have previously had the historic financials to secure bank finance. Private equity continues to fall in popularity, with just 1% of small and mid-cap companies selecting this as their preferred option.

With regard to the ease of raising equity, there was little change from the previous quarter regarding all forms of finance with the exception of private equity, which saw a rise from 3.2 to 3.9. Public equity is viewed as the easiest way to raise capital, although the gap between ease of raising public equity to bank finance further narrowed this month from 0.8 to 0.6. Currently, 52% of small and mid-cap quoted companies think raising public equity is easy and 53% of companies think that raising bank finance is easy.

There seems little chance of bank funding ever overtaking public equity funding. A typical claim of small and mid-cap companies is that a dislike of debt is one of the primary reasons for being a quoted company. Others claim to be too highly geared at the moment to take on any more bank debt, with public equity being the only realistic option.

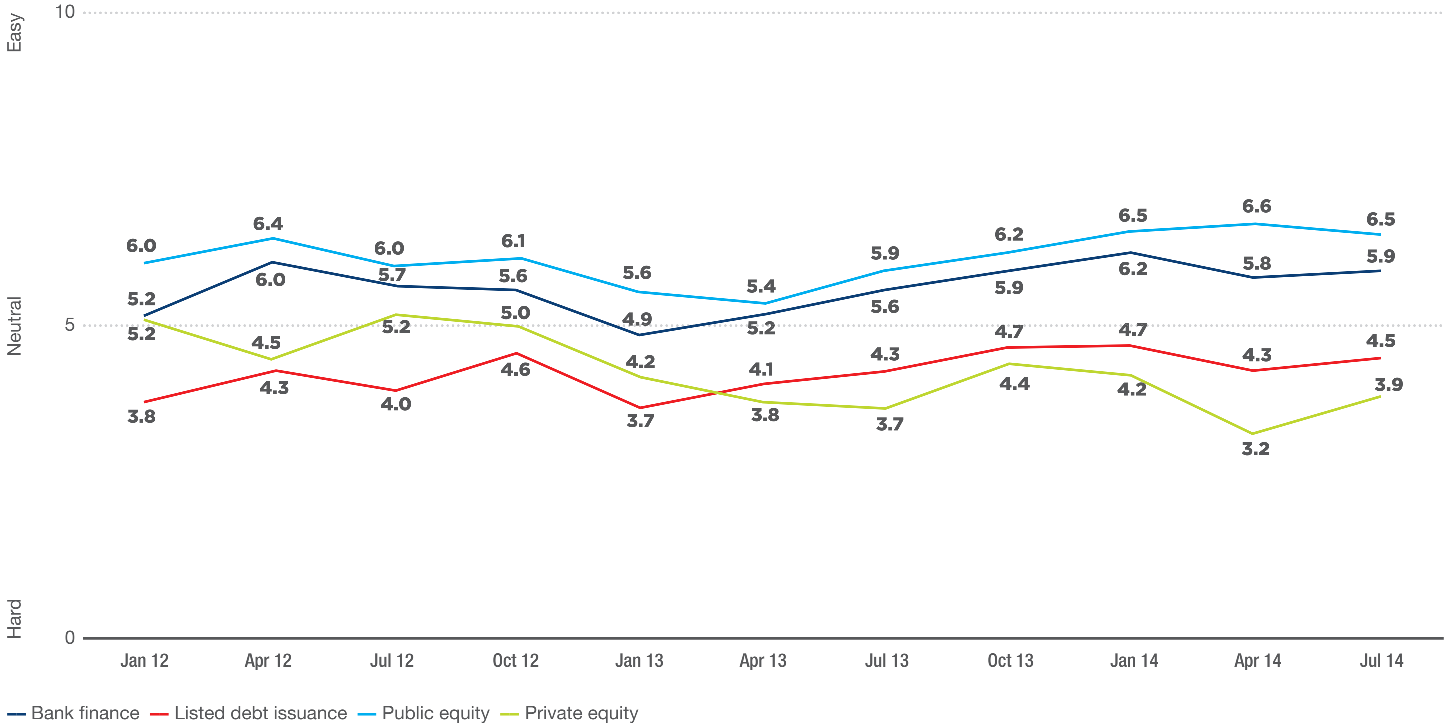
What would be your preferred way of raising capital, if the need arose in the next 12 months?



52%

OF SMALL AND MID-CAP QUOTED COMPANIES THINK RAISING PUBLIC EQUITY IS EASY.

How easy or difficult would your company find it to raise capital through the following channels? (Mean score)



"[By raising public equity] we get free customers as well as shareholders. It raises the profile and keeps us on our toes. Debt is lazy and it is only usurious [people] and banks who earn anything from it."

Small and mid-cap company's viewpoint

QCA/BDO VIEW

A reluctance to borrow is dictating how small and mid-cap companies choose to raise capital resulting in public equity continuing to be the preferred choice for raising finance. What is more striking, however, is that more companies than ever before view bank finance as their preferred option for raising funds, suggesting that high gearing is no longer the issue it has been for businesses. However, banks clearly have more work to do in order to encourage small and mid-cap quoted companies to use their facilities.

INTEREST RATE CHANGES

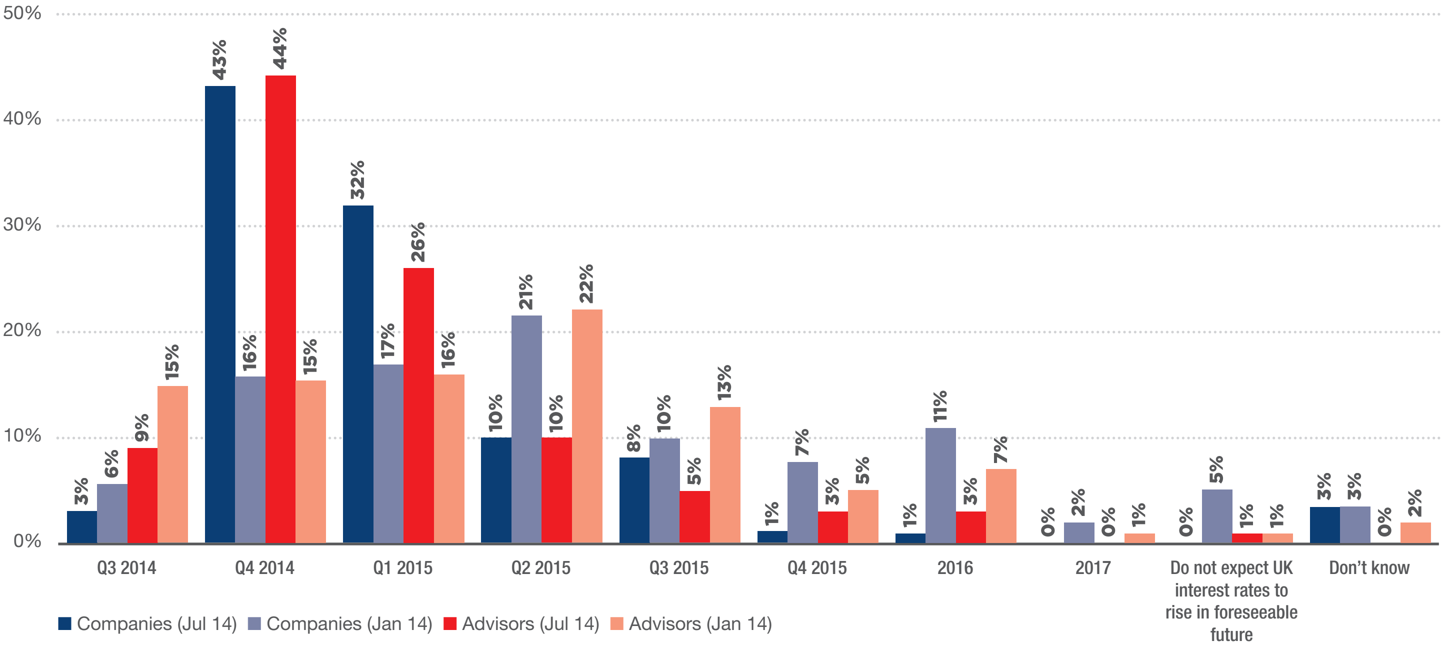
With the UK economy back at pre-crisis peak levels and house prices rising, the Bank of England continues to hint that an interest rate increase will be happening soon – so much so that many now believe it is not a matter of if rates will change this year, but when.

46% of small and mid-cap quoted companies believe that interest rates will rise from current levels in 2014. A further 51% believe that they will rise in 2015.

43% of companies and 44% of advisors believe that interest rates will rise in Q4 2014, whilst 32% of companies and 26% of advisors believe that interest rates will rise in Q1 2015. This is a marked increase from what we found in January this year, when only 16% of companies and 15% of advisors believed that interest rates would rise in Q4 2014. Similarly, only 17% of companies and 16% of advisors believed in January 2014 that interest rates will increase in Q1 2015.

The small and mid-cap quoted company sector is also still uncertain about what impact an interest rate increase would have. 48% of companies believe that there will be no impact on their business if rates rise, whilst 30% believe that the impact will be negative and 17% believe that a rise is good news. Advisors have similar views, albeit slightly more negative. 45% of advisors believe that an interest rate rise would have a negative impact on small and mid-cap quoted companies, whilst 46% believe there will be no impact and 5% believe the impact will be positive. This is similar to what we found in January 2014.

When do you expect interest rates to rise from current levels?



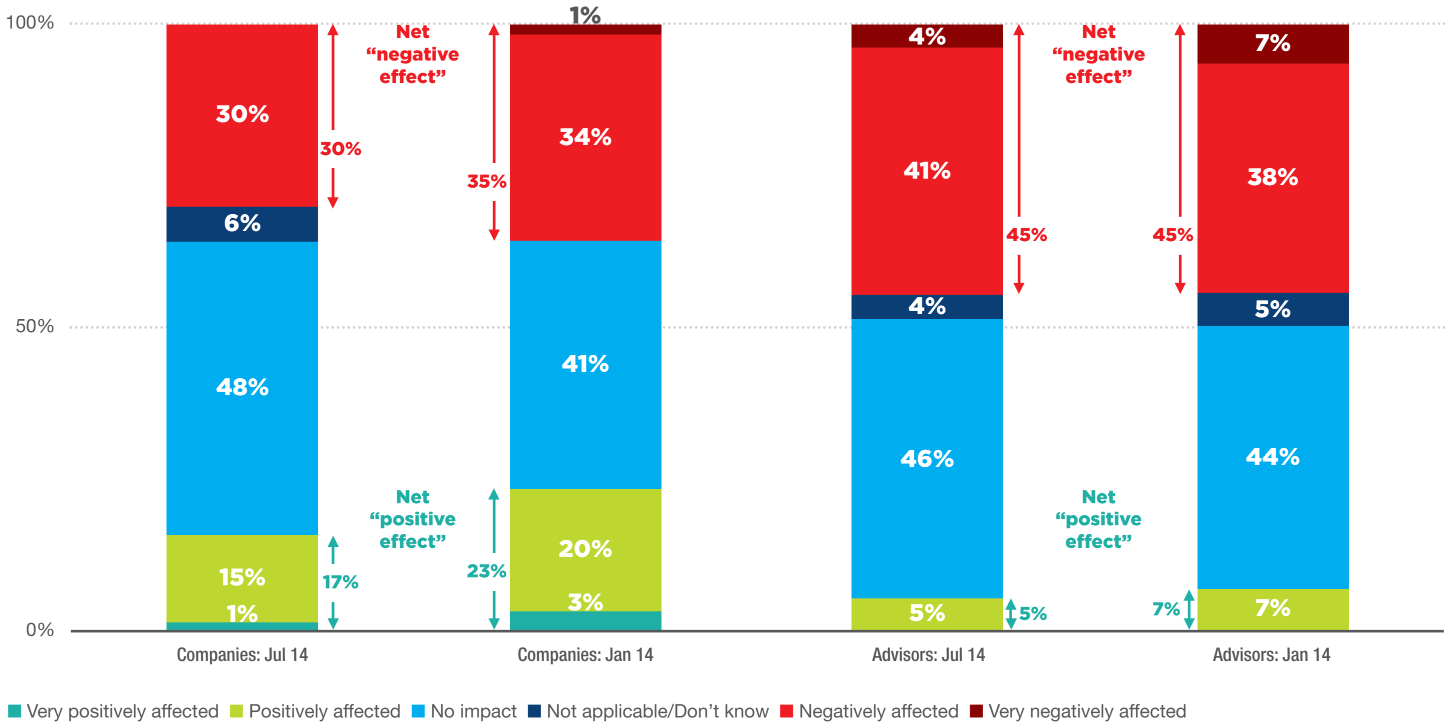
33%

OF COMPANIES HAVE NOT DONE ANY SCENARIO TESTING YET AND DO NOT INTEND TO.

Most small and mid-cap quoted companies have not done any scenario testing yet for a higher interest rate environment. Only 36% of companies have completed scenario testing. Whilst 55% of companies have not tested for a higher interest rate environment, 22% of those companies intend to do some testing at some point. 33% of companies have not done any scenario testing yet and do not intend to.

41% of advisors believe that small and mid-cap quoted companies have done some scenario testing for higher interest environments. 31% of advisors think that companies have not yet done testing, but intend to.

Companies: What will be the likely overall impact on your business if interest rates were to rise?
Advisors: What will be the likely overall impact on small to mid-cap UK quoted companies if interest rates were to rise?

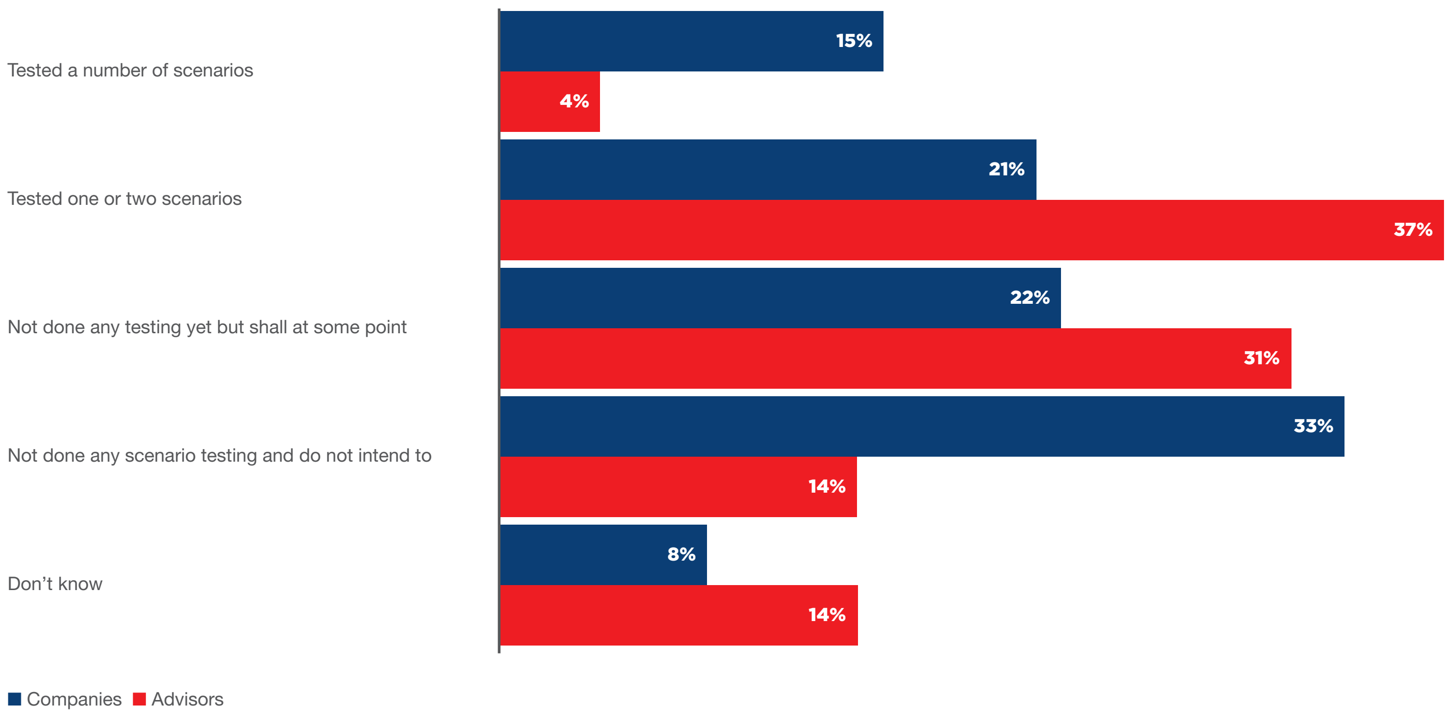


QCA/BDO VIEW

Mark Carney, Governor of the Bank of England, has been accused of 'teasing' the UK about a potential interest rate increase when he has no intention of actually carrying this out this year. However, our Index shows that most of the small and mid-cap quoted company sector believe the rumours and are gearing up for rates to increase in Q4 2014 or Q1 2015.

But, are small and mid-cap quoted companies preparing for a higher interest rate environment? Only a minority of companies have done scenario testing, and whilst almost a quarter expect to do some testing, time is running out – especially if we believe that rates will rise in the next 4-8 months. Some may think that the rate rise will not affect their company directly. But the truth is that everyone could feel some knock-on effects regardless of whether a company is debt free or has cash saved up, especially if companies' customers start to decrease their spending as a result of a higher interest rate environment. Companies need to be thinking beyond the primary effects of higher interest rates.

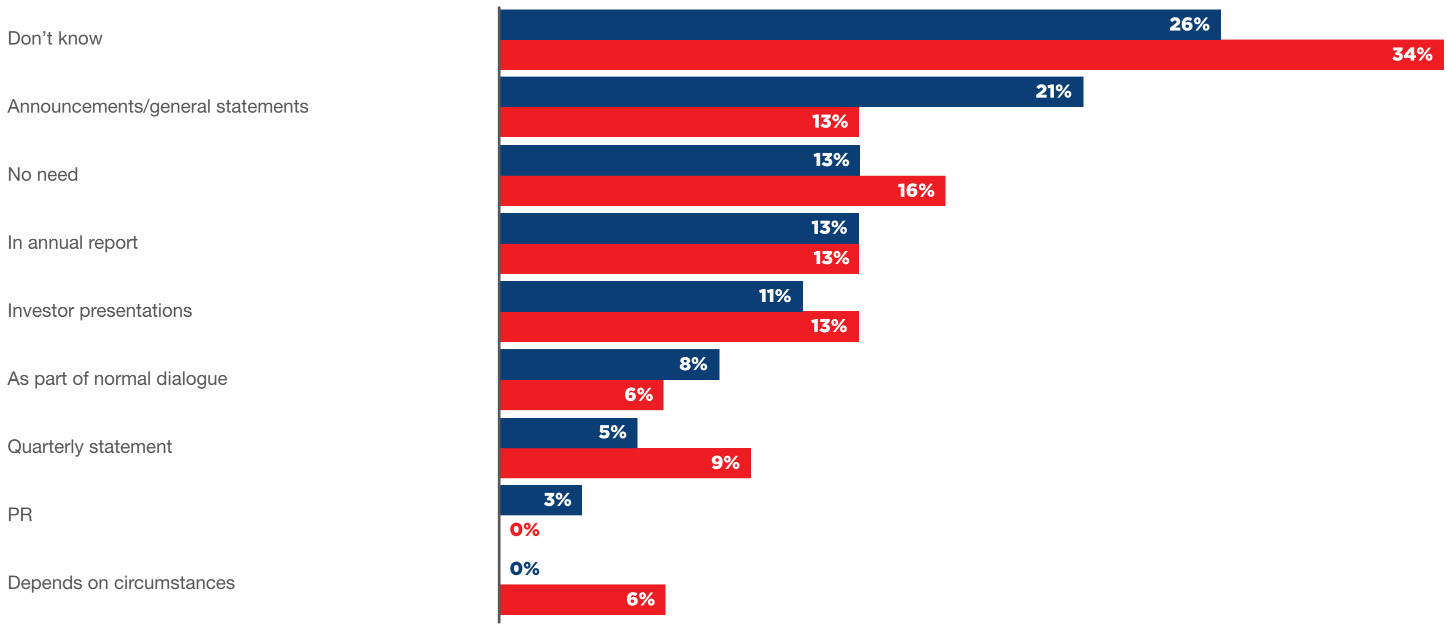
Which of the following best describes the amount of planning your company/small and mid-cap quoted companies have done for higher interest rate environments?



Out of 38 companies that have done some scenario testing, 26% are not sure how they are going to communicate this to investors in the market and 21% plan to do so through announcements and general statements. Out of those companies that have not done any testing, 43% say that they have not done so because a higher interest rate environment won't affect them and 29% say that they are debt free or have cash available. Advisors believe that small and mid-cap quoted companies have not planned for higher interest rate environments because it will not impact them (34%) and an interest rate rise hasn't been considered until recently and/or it will rise slowly (29%).

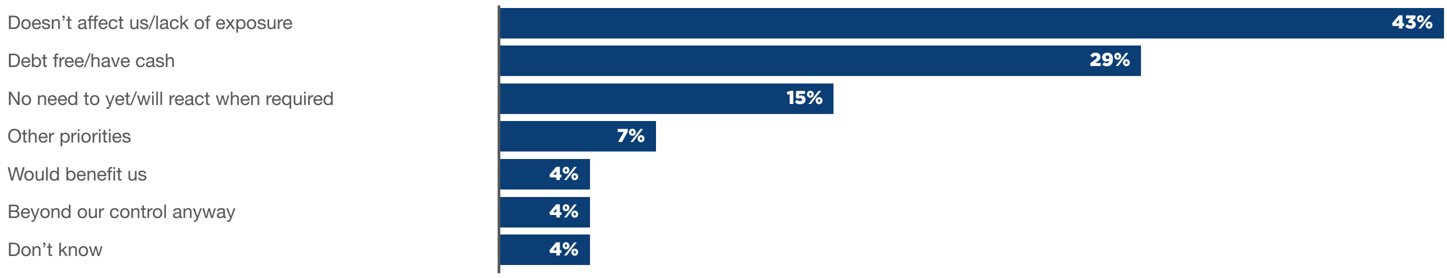
OUT OF THOSE COMPANIES THAT HAVE NOT DONE ANY TESTING, 43% SAY THAT THEY HAVE NOT DONE SO BECAUSE A HIGHER INTEREST RATE ENVIRONMENT WON'T AFFECT THEM.

How will you/small and mid-cap quoted companies communicate this planning to investors in the market?



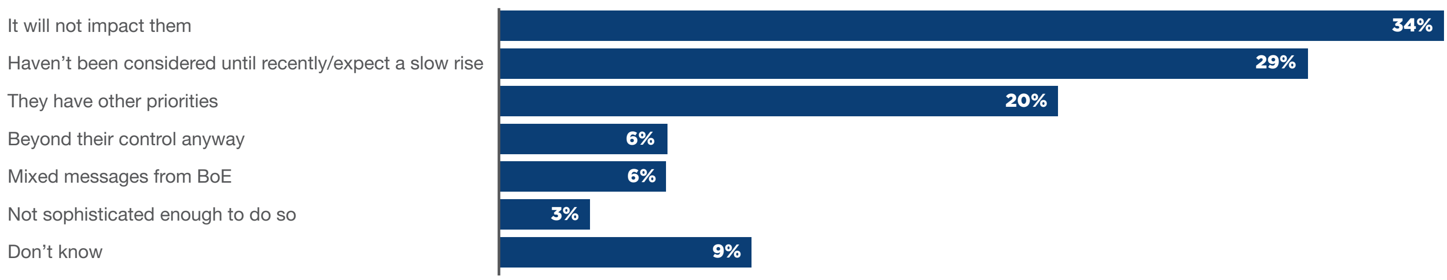
■ Companies: How will this planning be communicated to investors in the market?
■ Advisors: How do you think small and mid-cap companies should communicate this planning to investors?
Base: Companies who have scenario tested and advisors who think that companies have scenario tested

What are the reasons you have not planned for higher interest rate environments? (Small and mid-cap companies)



Base: Companies who have not scenario tested

Why do you think small and mid-cap UK companies have not planned for higher interest rate environments? (Advisors)



Base: Advisors who do not think companies have scenario tested

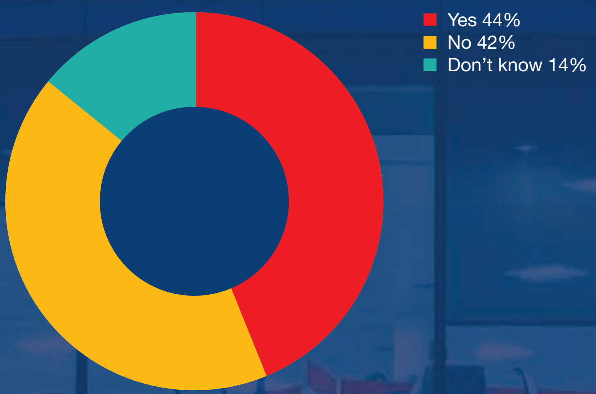
REPUTATION

Corporate reputation is becoming an increasingly difficult issue for companies to keep track of and manage as a result of the ever-increasing speed of communication and the internet. In the quoted company arena, rumours or allegations made about companies on the internet can have a direct and stark impact not only on a company's reputation, but also its share price. Earlier this year, £1bn was wiped off the value of AIM-quoted company Quindell, after a critical report was published on the internet by a relatively unknown organisation.

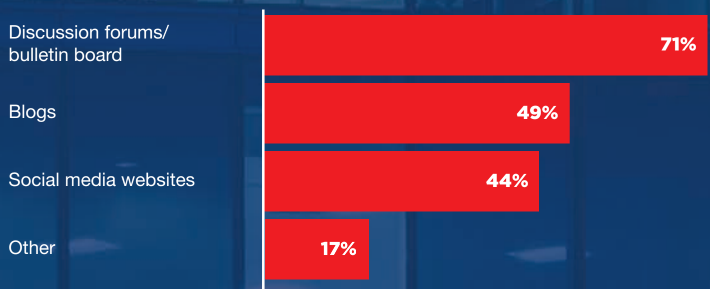
44% of small and mid-cap quoted companies say they experienced allegations or rumours being made about them on the internet. A similar amount, 42%, have not and 14% don't know. Out of those that have experienced allegation or rumours on the internet, 71% of those rumours or allegations have been on discussion forums or bulletin boards, with a further 49% being posted on blogs and 44% on social media sites.

Two thirds (65%) of those companies that have experienced an allegation or rumour being made about it on the internet did not respond and ignored it. 18% responded either directly or via a press announcement, whilst 9% sought removal by legal means and 17% took other action. 45% of companies who have experienced rumours or allegations are uncertain about the efficacy of their response, whilst 39% said that their response stopped or helped to rectify the situation. Only 16% said that their response did not stop the rumours or help to rectify the situation.

Has your company ever experienced any allegations or rumours being made about it on the internet?



On which of the following types of websites have the allegations or rumours been published?

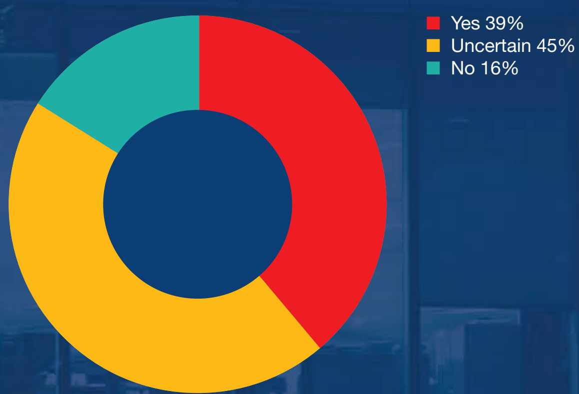


Base: Companies who experienced allegations and rumours

How did your company respond to the allegations or rumours?

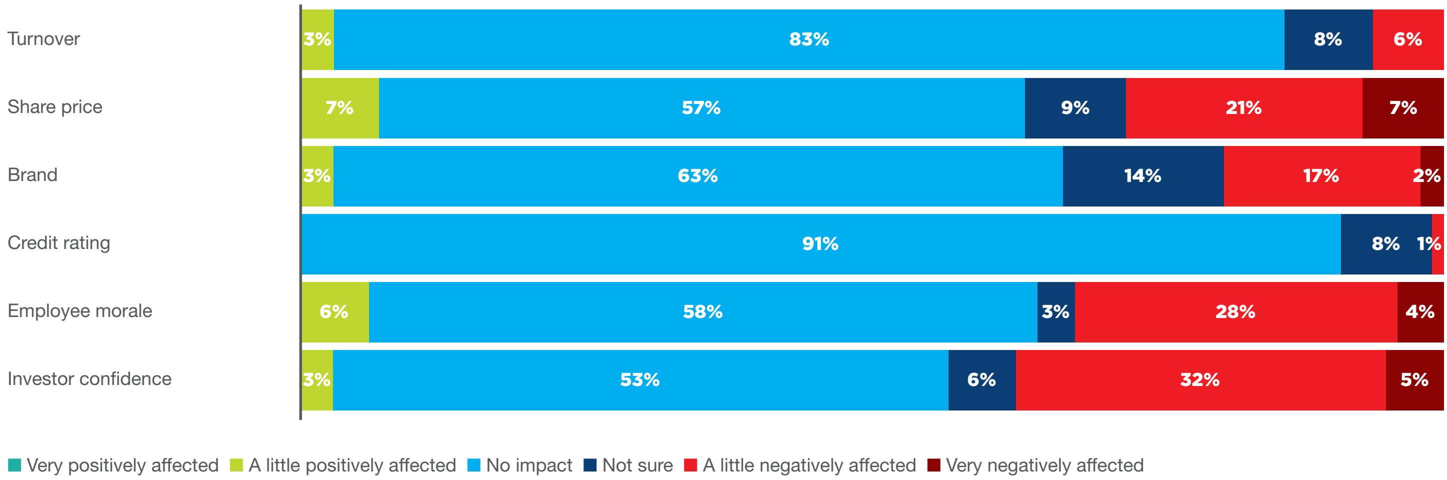
Base: Companies who experienced allegations and rumours

Did this response stop the rumours and help rectify the situation?



Base: Companies who experienced allegations and rumours

What effect did the allegations or rumours have on the following aspects of your company?

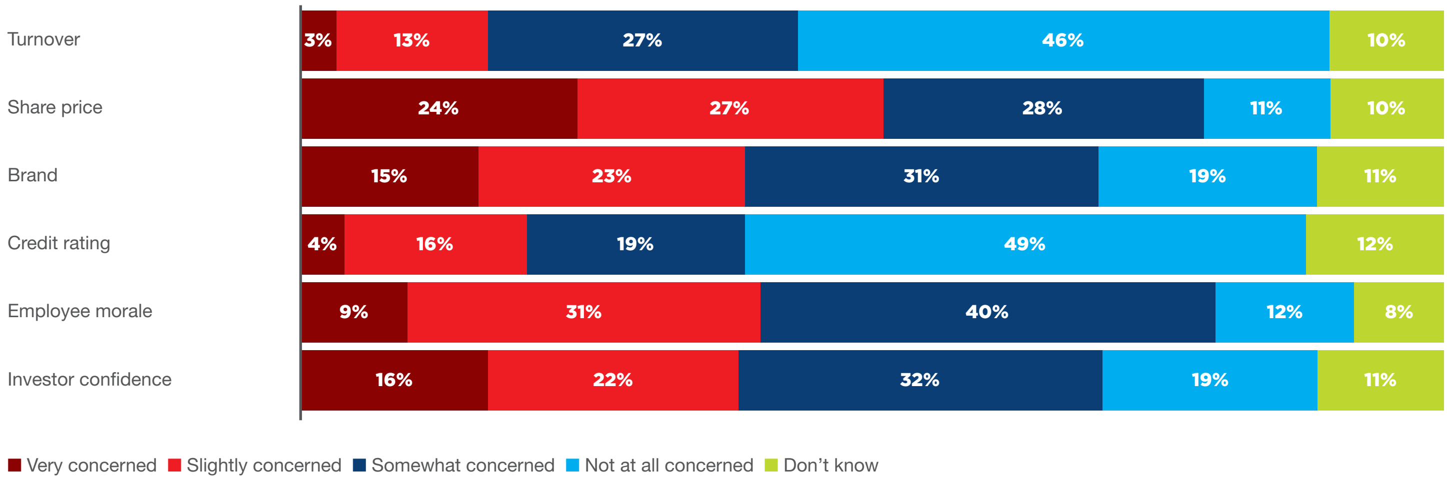


Base: Companies who experienced allegations and rumours

The majority of companies that have experienced an allegation or rumour being made about it on the internet do not think that the allegation or rumour had any impact on their turnover, share price, brand, credit rating, employee morale, or investor confidence. However, around a third thought that the allegations or rumours had a negative impact on their share price (27%), employee morale (32%) and investor confidence (38%).

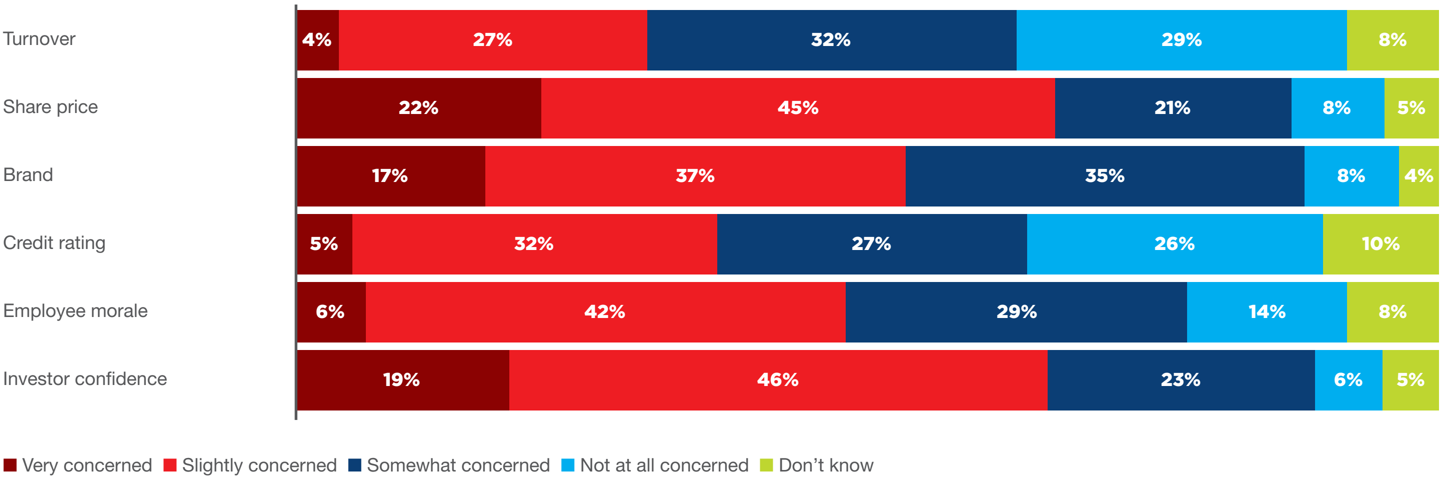
Out of those companies that have not experienced an allegation or rumour about them on the internet, just over half (51%) are either very or slightly concerned about the impact an allegation or rumour could have on their share price. Advisors share similar views, with 67% being either very or slightly concerned about the impact an allegation or rumour could have on small and mid-cap quoted companies' share price. 65% of advisors are also either very or slightly concerned about the impact an allegation or rumour could have on small and mid-cap quoted companies' investor confidence.

How concerned are you about allegation or rumours on the internet having an impact on the following aspects of your company?



Base: Companies who have not experienced allegations and rumours

Often allegations or rumours can spread on the internet about small and mid-cap UK companies. How concerned are you that such allegations or rumours could have an impact on the following aspects of their companies? (Advisors)

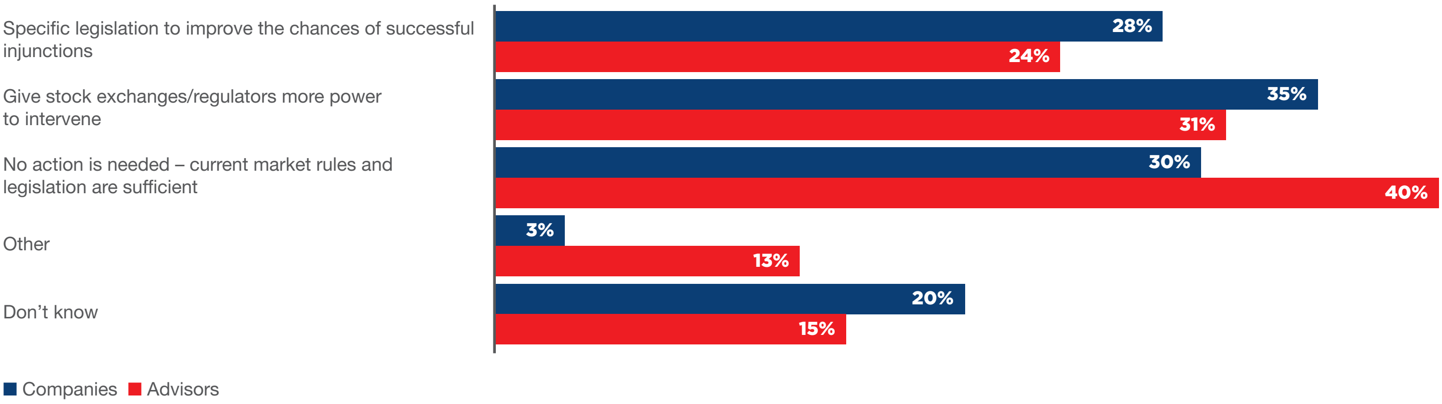


Views are mixed in terms of what could be done to address this emerging problem. 35% of companies and 31% of advisors believe that stock exchanges/regulators should be given more power to intervene and 28% of companies and 24% of advisors believe specific legislation should be made to improve the chances of successful injunctions. However, 30% of companies and 40% of advisors believe that no action is needed with current market rules and legislation deemed sufficient.

"There is no need for bulletin board anonymity. There is a place for an exchange of ideas about stocks between private investors, but the lies and nonsense that emanates from [bulletin boards] are toxic and not helpful to anyone."

Advisor viewpoint

Do you think any of the following would protect small and mid-cap UK quoted companies from online allegations and rumours?



QCA/BDO VIEW

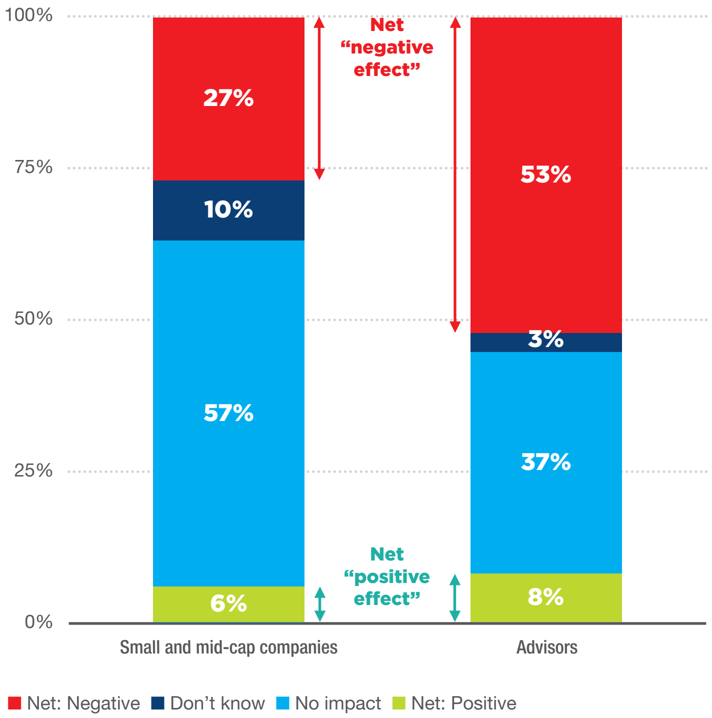
Online allegations and rumours are a relatively new issue for small and mid-cap quoted companies. Our Index has found that, whilst most are aware of the issues and believe that online allegations and rumours could have a material impact on certain aspects of their companies' performance, there is generally a lack of activity in terms of companies addressing the problem.

Small and mid-cap quoted companies should be thinking about the 'what ifs' and figuring out their technique for monitoring and responding to what people are saying about their company online – whether it is good or bad.

THE SCOTTISH REFERENDUM

We also asked small and mid-cap quoted companies for their views on the possibility of an independent Scotland and how it could impact their businesses. 57% of small and mid-cap quoted companies believe that Scotland leaving the United Kingdom would have no impact on their business. 27% of companies believe that the impact will be negative and only 6% believe that the impact would be positive. Just over half (53%) of advisors believe that the impact of Scotland leaving the UK would be negative and only 8% believe it will be positive. 37% of advisors believe that Scotland leaving the UK will have no impact.

What impact, if any, would Scotland leaving the United Kingdom have on small and mid-cap companies?



METHODOLOGY

The QCA/BDO Small and Mid-Cap Sentiment Index by BDO and the Quoted Companies Alliance (QCA) is an online quarterly survey across the small and mid-cap quoted sector.

The report is based upon 197 online interviews (119 small and mid-cap quoted companies, 78 advisory companies). It was conducted between 24 June and 10 July 2014 by research company YouGov.

Please note that scores in this report may not add up to exactly 100% due to rounding. The margin of error for the survey is +/- 8%.

Thank you to everyone who supported and participated in this survey.

If you would like further information on any of the issues covered in this report please contact:

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76%

OF SMALL AND MID-CAP QUOTED COMPANIES ARE EXPECTING TO INCREASE EMPLOYEE HEADCOUNT OVER THE NEXT 12 MONTHS AND THE MEAN EXPECTED EMPLOYMENT CHANGE (+7.1%) HAS RISEN TO THE HIGHEST LEVEL SINCE THE SURVEY BEGAN.

www.bdo.co.uk

www.theqca.com

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