

Doing Business in ISLE OF MAN

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So lovely to come home to

Businessman Eddie Davies gives an insight into what makes life on the island so good
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Challenge is to win global trade

The territory has managed to avoid recession and hopes are now pinned on the pace of recovery quickening, writes **Andrew Bounds**

It is a typical Manx scene: a quiet country churchyard with a Celtic cross in the foreground; then there is a roar and a blur as several motorbikes scream past at almost 200mph.

This is the trailer for the Isle of Man's latest hit film, *TT3D: Closer to the Edge*, but it could equally be a metaphor for the white-knuckle ride the small island has taken through during the global financial crisis.

The film, financed partly by the government, tells the story of Guy Martin, an ordinary man, who is striving against the odds to win the TT, the world's most dangerous race.

The island of just 80,000 people has also taken on a big challenge: that of prospering in a globalised world. Its progress has slowed but not stalled – unlike most of Europe, it avoided recession.

Tony Brown, chief minister, says: "As for most of the west, the past 25 years have been good for everyone. For the Isle of Man it has been very good. We have gone from 50 per cent of the UK's gross domestic product to par or a little above."

He adds: "The Isle of Man is going through a difficult time. People have less money in their pockets. But they are still in jobs and there are still a lot of business people looking to invest in the Isle of Man."

The island has an ancient parliament, the Tynwald, and its tight-knit, consensual political system has been able to react quickly to economic changes. When the UK government froze the assets of Kaupthing, the Icelandic bank, including deposits held through its Isle of Man branch, in 2008, the island used its reserves to guarantee those held there and restore confidence.

A year later Westminster rewrote the "common purse" agreement that dictates how revenues from value added tax are shared. That cut government revenues by about £140m a year.

However, the UK's decision to increase VAT from 17.5 per cent to 20 per cent from January has added about £26m to revenues, says Anne Craine, the treasury minister.

Taxes have risen but remain low, with a top income tax rate of 20 per cent. There is no tax on earnings above £115,000. But many perks, such as mortgage interest tax relief and government-paid tuition fees for Manx students at UK universities, are being squeezed.

The government is constitutionally obliged to run a surplus and is using £114m of its £300m reserves to slow the speed of cuts over the next five years. It retains a triple AAA credit rating from Moody's and Standard & Poor's.

Nevertheless, Mr Brown has set a goal of 10 per cent cuts across government. Some £26m of the £30m annual saving targeted has been made, and the 8,000 state employees have been reduced by 485.

He says: "I have been in government since 1981 and in all my time until last year we were only ever expanding the public sector. This is the first time we have reduced it. It is quite an achievement."

What resources the govern-



Wider view: Douglas Bay. The island must continue to adapt to a world where wealth is shifting to Asia, according to John Coyle, president of the Isle of Man Bankers' Association

Diverse industries are key to the future

Economy

Andrew Bounds gives an overview of the island's prospects

With growth of 4 to 5 per cent and unemployment below 2 per cent, the Manx economy is the envy of many in Europe. But a small, internationally open island learns to prepare for instability.

"We have always had a diverse economy, more so than our competitors. The fact that the Isle of Man has not gone into recession is down to that," says Allan Bell, minister for economic development.

But he says that process of diversification must get ever quicker, as the financial sector, which still accounts for almost half of gross domestic product, struggles to recover from the recession.

The offshore haven has long had an advanced manufacturing sector, accounting for 4.6 per cent of its £3.2bn GDP. This has also diversified: into filmmaking, space, registering aircraft and ships, and other niches.

Mr Bell's new "superministry" has brought all the business-facing and revenue earning arms of government under one roof. It has pooled the various sectoral support measures for business into a single scheme, making it easier for companies to apply and for the government to administer.

Mr Bell says financial services will remain important, but the old role of banks taking deposits mainly for expats and tax exiles and recycling them into the City of London needs to change as wealth moves eastward.

"We recognise that in many ways the old banking model that the Isle of Man has developed over the past 25 years is near the peak of its cycle," he says. "Some time ago we embarked on a new strategy with the banking industry to find out what the future of banking might be in the next five to 10 years." The report is expected in the autumn.

One challenge is that banks pay 10 per cent tax on profits, making up a significant chunk of the island's revenue.

GDP grew 4.7 per cent in 2008-09, the latest figures available. The economic growth rate is expected to be 4 or 5 per cent in 2010-11, having slipped to about half that the year before, according to treasury estimates.

Banking still accounted for 15.6 per cent of the economy, with insurance and other financial services accounting for a further 22.4 per cent.

The fastest-growing sector was information technology, which grew 66.9 per cent in 2008-09 to hit 10 per cent of GDP. It reflects the growth of the online gaming industry.

Tourism also remains a key source of income and jobs, accounting for 5 per cent of GDP. The offer is improving all the time, with considerable public and private investment.

The number of visits to the island by non-residents rose from 275,203 to 287,124, an increase of 4.3 per cent, in 2010. A quarter of visitors went on business. The government is also proposing to try to attract the first five-star hotel

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You can expect the island to shout about its attractions in future **Page 2**

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Racing certainty

The island is becoming a centre of green technology, even for TT motorcycles **Page 3**

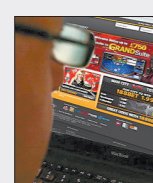


Professional services

Firms are looking to expand into overseas markets **Page 4**

Bountiful isle

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ment does have are being focused on its marketing and business promotion efforts via a new superministry of economic development.

Allan Bell, the previous treasury minister, has taken the reins and promises a "sharper focus". Not before time, say some.

"People still confuse the Isle of Man and the Isle of Wight," says Seamus Nugent, chief executive of Dandara, one of the biggest building companies on the island. "We don't market ourselves well enough. It is one of the best offshore financial jurisdictions in the world."

The island must continue to adapt to a world where wealth is shifting to Asia, says John Coyle, president of the Bankers' Association, who is helping draw up a new banking strategy. "The patient is stable," he says. Now, "the international financial centre needs to move to the next stage of evolution."

Attacks on tax havens in Europe and the US have diminished of late, but the island remains committed to reforms to ensure it remains on white lists operated by the European Union, the International Monetary Fund and the Organisation for Economic Co-operation and Development.

In July 2011, it will begin an automatic exchange of tax information, ahead of other centres. Along with Jersey, it is withdrawing anti-avoidance rules intended to ensure that business owners are regularly paid taxable dividends instead of letting the income accumulate tax-free within the company. The EU has said the rule breached its

"code of conduct", as it applied only to shareholders who live on the islands.

"We want to be seen as good neighbours and reputable practitioners when it comes to international standards," says Ms Craine.

She remains committed to a zero tax rate on all companies except the banks, which pay 10 per cent. The so-called "zero/10 regime" ensures overseas governments do not tax Manx-registered companies.

Andrew Corlett, a senior partner at Cains, an island law firm, says it is important to keep on side with London. "We are not a hub ourselves, but a spoke of the UK," says Mr Corlett. If the island needs to compromise to maintain its link with the City, then it should, he says.

As a Crown dependency, the island governs itself but is represented in many international forums by the UK, with the Queen as sovereign.

Mr Brown says the two have had some "spats" but the relationship is healthy.

Ms Craine believes that growth can return to the 6-8 per cent levels that preceded the financial crisis, though she admits the territory is not exempt from the pressures of the outside world. She expects 4-5 per cent growth for 2010-11.

Few would bet against the Manx ability to adapt yet again. Mr Bell says: "We have come through worse. As we have proved in the past, we can move quite quickly into new niches as they present themselves."

Recent such nooks include space travel – a company aiming to offer customers a week in

a space station is based on the island – aircraft and ship registries, and online gaming.

"The Isle of Man was recently ranked the fifth most likely country to land on the moon after the US, Russia, China and India," says Tim Craine, head of space at the business development department (and no relation of the treasury minister). The island's high position in the list of lunar hopefuls is thanks to the Odyssey Moon team, which is competing for the £30m Google X Lunar prize, aiming to devise a lander capable of sending back pictures from the surface of the moon.

But gaming offers something

'The patient is stable, the international financial centre needs to move to the next stage of its evolution'

more down to earth: money and jobs in the short term.

Garth Kimber, the head of e-gaming development, says the industry employs 650 people and its taxes and licensing revenues contribute about £15m annually to government coffers.

Licenseses pay £35,000 plus 1.5 per cent on the first £20m of gross gaming yield annually. The government has granted 25 licences, with another five in the pipeline.

The decision by the US in April to charge two senior executives of PokerStars, which runs online poker rooms, with

money laundering, illegal gambling and bank fraud was a jolt, but the business retains its licence. Mr Bell, who is also responsible for the sector, says he has no evidence the company has broken any laws, and says it is a "reputable business". He does not believe the island will suffer reputational damage as a result of this decision.

Under Isle of Man law, gaming companies must keep customers' money in ringfenced accounts so it can be returned. Mr Bell says the US accounted for only about 20 per cent of PokerStars' revenues and customers are getting their money back. The US Congress banned electronic gambling transactions in 2006. PokerStars declined to comment.

Mr Kimber says the gaming sector is in good health. He points to Paddy Power, the Irish bookmaker, which is building up its presence on the island, and says the aim is to bring in support companies as well as straight gaming companies.

One such is Microgaming, a provider of casino and online gaming software. It established its base on the island in 2001 and employs 80 people.

Roger Raatgever, chief executive of Microgaming, believes the industry has a bright future on the island. He says the government is always eager to help companies, and adds there is a trump card.

He says: "Aside from the obvious tax benefits, the Isle of Man also offers employees a fantastic quality of life. We always say our business attracts employees and the island helps us retain them."

A lack of grand homes keeps millionaires away

Property

Strict planning controls have led to a housing shortage, says **Andrew Bounds**

Take the little mountain railway up Snaefell – the Isle of Man's highest peak at 620m above sea level – and on a clear day you have a sweeping view from the hills of Ulster and Scotland to the Lake District of England with little but sea and grass between.

The island may be small but it is not crowded. Just 2 per cent of its land mass is developed, mostly around the coast.

"It is one of the least densely populated countries in Europe," says Seamus Nugent, chief executive of Dandara, one of the island's

biggest construction companies, which boasts 400 employees.

But Mr Nugent says strict planning controls and lengthy delays – all developments must be approved by central government – have led to a shortage of houses. "We have had high population growth and not much building... little has been done to relieve that situation. No land has been zoned for development since 1976."

Mr Nugent says a recent drive to attract wealthy expatriates to the island (by scrapping tax on income

over £115,000 annually) has been hampered by lack of grand homes.

He says: "Planning is conservative. It is a beautiful island and people are sensitive to what goes up."

Tony Brown, chief minister, says it is a price worth paying to preserve the island's heritage.

"Our responsibility is to the island as a whole. There are places where you can have a reasonably sized development in certain areas of the countryside. But we need restrictions on the countryside."

"It is true that we have

lost some high net worth individuals because they have not been able to see a building and move in."

However, the government has launched a review of planning to see if regulations can be eased. Its development plan allows for an expansion of the population from 80,000 to 100,000.

David Kay, of Kay Associates, a Douglas architectural practice, says things are changing slowly and the challenge is to work with communities.

The company has finished a development of four £1m-plus homes on the cliffs

above Douglas Bay, built on a brownfield site.

The developers used Manx stone but also plenty of wood and glass and a green roof, a rare design on an island still wedded to brick terraces and farm cottages. The usual millionaires' requirements of swimming pools and games rooms are standard.

Mr Nugent says a property shortage, combined with low unemployment and strong growth, has pushed prices up by 375 per cent since 1997. They have now hit a plateau, but prices have not fallen as in



Four £1m-plus homes on the cliffs above Douglas Bay

the UK and Ireland.

He says people will continue to move to the island. "The quality of life is great here with low crime... I do not employ a single security

guard." And hopes for house sales are buoyant. "In the past eight weeks, we sold two houses for a combined £6m."

Zero event helps island to clean up

Green technology

Electric and low-carbon bike races are helping stimulate progress, says **Andrew Bounds**

The petrol-fuelled fiesta of the TT remains the Isle of Man's biggest international brand. Colin Kniveton, chief executive of the Department of Economic Development, says the week-long June event still has untapped potential.

A recent survey showed it came top when people were asked what the island was associated with. "We are still not fully appreciative of the value we get from the TT," he says. "Even after a century, it is going from strength to strength. People have board meetings over here during the TT."

There is television coverage of the race in more than 60 countries and *TT3D: Closer to the Edge*, which takes a camera on a bike round the 38-mile course on the island's mountainous roads, could win over more devotees.

The government, which runs the "Tourist Trophy" race, is now boosting corporate hospitality at the event and for the Manx Grand Prix later in the year.

Yet another race could be as important to the island's future. That is the TT Zero, during which bikes powered by engines producing zero carbon emissions take on the same circuit. There is less noise but the speeds remain impressive.

MotoCzysz, winner of the 2010 contest, is an electrical drive train specialist from the US and set a lap record of 96.8mph and a top speed of 135mph. "We are convinced we will see the first 100mph lap by an electric or zero-carbon bike this year," says Mr Kniveton.

Many companies and universities use the race as a testing

ground for technology.

Ecolve, a start-up electric-bike manufacturer, is raising finance to build a plant on the island that could produce 500 units a year.

Another company with TT heritage is Bladon Jets, which last year saw its gas-powered turbine engine debut in Jaguar's C-X75. The company, founded by brothers and TT competitors Paul and Chris Bladon, started working on engines for conventional bikes. Tata, the Indian conglomerate that owns Jaguar, was impressed enough by the technology to take a minority stake in the business.

The turbine, based on an aircraft design but about the size of a shoebox, would not power a car, as bigger turbines did in experimental models in 1960s, but can top up its batteries so it can go further between recharges.

Courtenay Heading, development director at Bladon Jets, said its advantage is its small size and light weight. Bladon's breakthrough was to find a way to machine the fine parts at such a small scale. "We see it as a range extender," he said.

He said the island has been very supportive. "We have raised almost £1m on the island. People hear about you and ask you to come and see them, and if they trust you and believe in the product, they'll invest."

The company is also working on a boiler that would create heat and power for the Indian market. Links with the island are strong. Paul Bladon died of cancer in 2008 and a trophy in his honour is presented at the Manx Grand Prix.

The island's transport department is exploring a different technology. It has teamed up with ITM Power, a UK company, to test hydrogen-powered vehicles. It will take delivery of two converted vans and a mobile liquid hydrogen filling station. On a small island of 572 sq km, such technologies should be easily adopted.

The island is also home to sev-



Green machine: the winning bike in the 2010 TTZero contest, designed by US company MotoCzysz

The island is also home to several carbon-trading companies and more than 50 in the clean-tech sector overall

eral carbon-trading companies and more than 50 in the clean-tech sector overall, with eight listed on London's Alternative Investment Market.

It is also seeking ways to use renewable energy, with a target of 15 per cent of electricity by 2015. The territory is heavily dependent on imported oil and gas and has been hit by rising prices. It is served by a two-way subsea electricity cable to the UK and an interconnector on the Scotland-Ireland gas pipeline.

Ken Milne, head of energy policy at the Department of Economic Development, says one 20-megawatt-capacity wind farm, for which expressions of interest are being invited, will be enough to hit the target.

The island's gas-fired power station has 87MW capacity and its energy-from-waste plant 5MW.

But the big prize is offshore wind, where the island hopes it can help meet the UK's targets for

renewable energy.

"For us to develop offshore wind we need to have export demand," he says, since the island cannot risk building too much capacity for itself, as there are days when the wind does not blow.

It is negotiating with both Britain and Ireland about some of the generated energy being counted towards their reduction targets.

The UK is developing two large fields just outside the island's territorial waters. The waters are shallow, so offer stable siting for turbines. "It reduces the length of cables you require. Two gigawatts would be possible," says Mr Milne.

The Manx Electricity Authority is state-owned and vertically integrated so it can also test technology such as tidal power, says Mr Milne. "We have been a test bed before; 3G mobile was trialled here before its use in the UK."

Diverse industries are key to future

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to the island by auctioning its second casino licence.

The first, issued in the 1960s, is used by the four-star Palace hotel on Douglas's seafront. The second would aim to bring in an international brand to lure "junket" gamblers. However, Tynwald, the parliament, has yet to authorise the move.

There are challenges. Inflation, which generally tracks the UK at a slightly higher rate, hit 6.7 per cent in March on the retail price index measure and fuel cost rises are causing pressure.

The construction industry is in the doldrums, while consumer-facing businesses have fared badly. High streets, many of which are stuck in a 1980s time-war, are studied with empty shops as traders struggle.

Anne Craine, treasury minister, says the government has put aside £8m to regenerate retail areas.

On the plus side, a survey of business leaders shows confidence is high, with eight out of 10 companies polled expecting to make a profit in 2011 and more than three-quarters expecting to grow, with half forecasting more staff recruitment.

One is Cable & Wireless, the UK telecommunications

company that provides competition to the private-equity owned Manx Telecom under the Sure brand. Since it arrived in 2007, the cost of both mobile ownership and broadband has fallen 70 per cent.

The company says that financial services, e-gaming and e-commerce are driving data volumes up "exponentially".

The shipping and aircraft registers continue to grow, bringing in work for corporate service providers in buying craft, insuring and managing them.

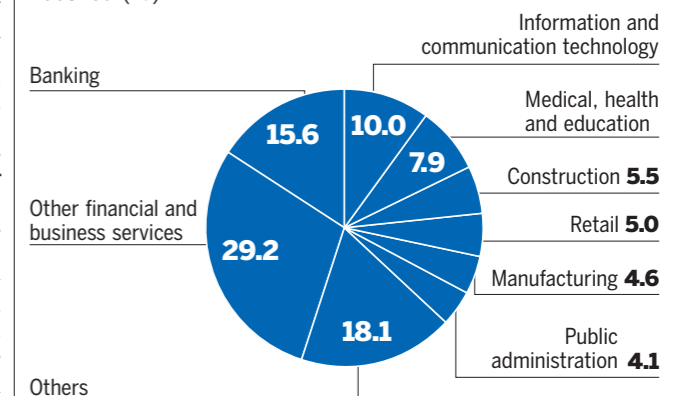
Dick Welsh, director of the ship registry, says the introduction of an annual £730 fee has not deterred trade. Tonnage registered has grown to 12.4m, against 11m a year ago, just behind older registers such as Germany and the US.

The island is on the white list of Paris and Tokyo, the main international standards, and its quality is recognised by US customs.

Brian Johnson, director of civil aviation, says the recession has not dented the commercial jet business. In its fourth full year the register has grown by 120, one more than the year before. "We have done 365 aircraft in four years. I think it's amazing," says Mr Johnson.

Isle of Man national income by economic activity

2008-09 (%)



Source: Isle of Man Treasury



Isle of Man Government
Rialto Eilan Vannin



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Grate success: the Isle of Man Creamery sells about 650 tonnes of premium cheese globally, with strong markets in the UK, Ireland and Spain

High costs present a challenge

Island products

Quality goods are made here, but state aid and foreign markets are essential, writes **Andrew Bounds**

From award-winning beers and cheeses to watches and lenses to take pictures of Mars, the Isle of Man has a wide variety of products. What they all have in common is support from the government and a need to export to survive.

Roger Smith, a British watchmaker, arrived on the island in 1998 to train with George Davies, a famed horologist. Mr Davies invented the coaxial escapement, which improves watches' time-keeping, and was adopted by Omega, the Swiss manufacturer.

Mr Smith decided to go it alone and created his own watches, which show off the mechanism. He sold them for £12,000 a piece. "It only just covered my salary," he recalls. His new series two costs £72,000 apiece and already has an 18-month waiting list.

His four-strong team makes just 10 a year at a small workshop extension to his seaside cottage near Ballaugh on the western coast of the island.

Everything is assembled by hand once the pieces are machined on site, and buyers can customise the face. "The last English watchmaker closed in the 1970s," says Mr Smith. "England used to have

the best watches in the world and I wanted to revive that tradition."

He had government grants for the workshop and benefits from the zero corporation tax. He also has four customers on the island.

CVI Melles Griot, a maker of optics and lasers for the aerospace industry, is another business responding to increased demand. The company, now US-owned, is staying in its building on a housing estate in Onchan and investing £500,000 in a new coating facility. Helmut Kessler, managing director, says: "It is in response to demand. Orders are growing by 5-15 per cent a year."

CVI supplies components for Nasa and other space agencies, including camera parts that enabled the Mars lander to send back pictures of snow. Demand is growing, as ever more powerful lasers are being used, for example, in cutting the digits on BlackBerry keypads.

Power bills, wages and transport costs are higher on the island, but are more than offset by low staff turnover and government support, says Mr Kessler.

Higher bills are a bigger challenge for two other local businesses, Okells Brewery, established in 1850, and the Isle of Man Creamery. Both are both looking abroad for growth.

Mike Cowbourn, head brewer of Okells, says demand for its flagship bitter and mild has fallen from 18,000 36-gallon barrels in 1980 to about 6,000 in 2010. Its brewery, built in the 1990s, installed a larger production line built to brew Labatt's under licence but the product did not take off.

Steve Mitchell, wholesale manager, says costs are a fifth higher on the island, wiping out much of the profit margin. "It costs £63 a [9 gallon] tub minimum and I struggle to sell it for more than £61 or £62."

The company is buying volume at cost to keep the mash tuns full. Some 40 per cent of production is sold to the UK and it has opened four pubs there to stimulate demand. However, it does have competitive advantages. The island has a

Isle of Man Bank granted a loan of about £1m secured against the stocks of cheese, showing innovative finance is not confined to the offshore sector

German-style beer purity law dating from 1874, saying only water, yeast, malt, hops and sugar can be used to make it, ruling out rice or other sources of carbohydrate some brewers use to save money.

"That provenance and quality is a unique selling point," says Mr Mitchell. When Okells developed a wheat beer, parliament had to amend the law to allow it.

Domestically, it also has to compete with Bushy's, a recent start-up. Mr Cowbourn has responded by creating a series of award-winning special brews.

The creamery has pursued a similar approach. A co-operative founded in 1934 and still owned by the island's dairy farmers, it was transformed when Findlay Macleod, an Irishman, was brought in as chief executive a decade ago.

The island produces 25m litres of milk a year. That supplies the 7.5m of liquid milk needed to make 2,000 tonnes of cheese a year, with just 300 tonnes of it eaten on the island.

Faced with this cheese mountain, Mr Macleod chose to invest in production facilities to mature and package cheese on site. Isle of Man Bank granted a loan of about £1m secured against the stocks of cheese, and was repaid partly from sales, showing that innovative finance is not confined to the offshore sector.

"Our job is to move as much of that cheese as possible from the commodity market to the premium market, and we have been successful in the past few years," says Mr Macleod.

Some 650 tonnes of annual sales are now premium, which can fetch four times the commodity price. UK supermarkets Wm Morrison and Tesco have stocked the brand. It sells in Ireland and 80 tonnes of premium cheese annually goes to Spain. Half the company's £14m turnover comes from outside the island.

Again, provenance is important, with all the milk coming from the island's 6,000 head of cattle.

The creamery employs 90 people as well as helping the island's balance of payments. "Not only are we earning abroad, but we are keeping out imports," says Mr Macleod.

A viewpoint that goes far beyond the island's shores

Professional services

Brian Groom explains why companies are looking at global markets and the skills needed to target them

The Isle of Man's professional services community is playing a pivotal role in its economic diversification. Having grown to assist financial services, its expertise helps build such industries as manufacturing, web-hosting, e-commerce and satellites.

As with other sectors, it has seen a slowdown during the global recession, but Anne Craine, treasury minister, hopes and expects it will continue to grow. "I am married to a chartered accountant and my son is a lawyer," she adds.

Legal and accountancy firms have plenty to do servicing the financial community and other parts of the economy, but many are looking globally. The same is true of the regulated professions working for corporate service providers and trust companies: historically UK-focused but increasingly international.

They sell the island's advantages, including relative proximity to the City of London, a legal system similar to the UK's and tax neutrality within a stable, well-regulated jurisdiction.

"It's got much more sophisticated," says Phillip Dearden, managing director of PKF, an accountancy and fiduciary business, and chairman of the Association of Corporate Service Providers. "The increasing burden of regulation, an increasingly litigious world and increasingly aggressive tax enforcement agencies mean everybody has to be better at what they do."

The trend is towards larger firms, able to absorb overheads and more complicated arrangements for clients.

Cains, one of the island's largest law firms, which has been in business for more than 100 years, won a Queen's Award for export two years ago for corporate work in emerging markets in eastern Europe and Asia, which account for more than 40 per cent of its business, using London as a gateway.

"To a certain extent, I see what we are doing as the future of places such as the Isle of Man," says Andrew Corlett, Cains' managing director. "I think the island's best macro model would be to be seen as a moon around a larger celestial body like the City [of London]."

Cains built a reputation as legal adviser to companies from Russia, India and China coming to list in London: the Isle of Man became a bigger host of non-UK Aim 100 companies than

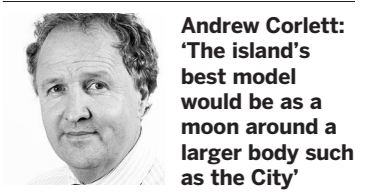
any other jurisdiction, with about three-quarters of Indian companies listed on Aim incorporated on the island.

That work has dried up since 2008, but shows signs of revival. Cains managed about £1.5bn of listings business globally in the final quarter of last year, including Singapore and Frankfurt. Restructuring and corporate work kept coming in.

Mr Corlett says Cains experienced a bit of a dip, but revenues for the first nine months of this financial year were up by 14 per cent on the previous year. Its staff has doubled to 100 in the past 10 years and it expects to hire another 10 this year.

The biggest recent event in the legal world was the arrival of Appleby, the world's largest offshore law firm in terms of partners, via a merger with Dickinson Cruickshank, an Isle of Man firm. The addition of a global name is seen by many as enhancing the island's profile.

Sean Dowling, Appleby's managing partner on the island, says he and former Dickinson Cruickshank colleagues opted for a link because there were limits to the ability of a stand-alone jurisdiction to service an international client base. Since then, as part of a larger group,



Andrew Corlett: 'The island's best model would be as a moon around a larger body such as the City'

they have quoted for business that, previously, they would not have been able to compete for.

All the big four accountancy firms are represented on the island, along with others such as Moore Stephens, which also has fiduciary, yachting services and international pensions businesses. Clive Dixon, managing partner, underlines the co-operation not only between the public and private sector but also between firms.

"No one company can do it all," he says. "We are all quite small companies here. Often, we will go into a presentation to a client along with the other service providers involved."

Greg Ellison, former head of Barclays Wealth on the island, moved recently to be chief executive of Boston Group, a family office and corporate service provider aiming at Asia and the Middle East, as well as non-domiciled UK residents.

"To date, many of the professional services firms have been fishing in the UK for opportunities. I think we have to break that dependence and focus on opportunities further afield," Mr Ellison says. As the Isle of Man shifts its focus to emerging markets, professional services will have a vital role to play.

Specialist offers chance of a jackpot

Profile 188Bet

Online gambling is one of the most promising sectors, says **Brian Groom**

Andy Scott, chief executive of 188Bet, says his company aims to be the "world's best-loved sports book".

The in-play betting specialist is one of a clutch of businesses that have turned online gambling into one of the Isle of Man's most promising economic activities.

Created in 2006, the company was set up by a half a dozen Asian investors who saw their future in fully licensed, well-regulated betting. They were attracted by the regulatory standards as well as its zero corporate tax. Mr Scott, a former Royal Signals captain, joined two years later from Neteller, an online payment company on the island, where he was chief risk officer.

"The investors had taken a look round various jurisdictions and determined that the Isle of

Man represented the most forward-looking and one of the more robust regulatory regimes," he says.

188Bet is predominantly a sports bookmaker, handling mainly football betting though it also offers basketball, tennis, golf and some casino products. It employs 34 staff on the island, six in the UK, and is supported by a further 700 in partner companies in Manila and Taiwan that handle trading support, customer services, compliance and IT support.

Mr Scott says turnover has doubled every year and is forecast to grow by 70 per cent this year. Its core markets are in Asia, but Europe now accounts for 40 per cent, including 5 per cent in the UK, where it sponsors leading football and rugby teams.

He explains the attraction of in-play betting with reference to a Wigan Athletic match against Arsenal last season. Odds on Wigan were 9-1 to win at the start of the game, but then they went two goals down with nine minutes to go, at which point the odds became 150-1. They went on to win the game 3-2.

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E-gambling: one of 188Bet's challenges is to develop products that respond to market changes

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real sports fans – wannabe managers who feel they know the game and can predict what's going to happen – it offers a great opportunity," Mr Scott says.

The company says margins are low because it offers better odds than its main competitors, achieved through low operating costs and by carrying a lot of liquidity.

It has had to move out of some markets, including Italy and France, either because of restrictive regulations or because tax is levied on turnover rather than profit, which disadvantages a low-margin operator.

Eventually Mr Scott would like to expand in the US if the market opened

up. Because 188Bet does not operate there, it has been unaffected by the US authorities' crackdown on PokerStars, another Isle of Man company, Mr Scott says.

One of 188Bet's challenges is to develop products that respond to market changes.

The new generation of 25- to 30-year-old gamblers enjoys a social element, including "contextual betting".

For example, Mr Scott says, if Chelsea, one of its betting partners, runs an article on its website saying the goalkeeper had had a great week in training, there would be an opportunity to bet on him maintaining a clean sheet.

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