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Section 3

BUSINESS

House of Fraser bosses line up shock London float

Ben Marlow

HOUSE OF FRASER is opening a new page to the stock market after nearly a decade in private hands.

Sector managers have begun

weighing up a plan to float the 160-year-old department store chain after several aborted attempts to sell the business. A flotation would value

House of Fraser at £200m (£300m).

In the past year, the high street chain has held takeover talks with Mike Ashley, the Sports Direct tycoon; the Qatari royal family; and John Lewis. The company has now begun considering a return to public ownership seven years after it was snapped up by Icelandic corporate Group in a £600m deal.

The takeover was the highlight of

a buying spree that saw Baugur snap

up a host of household retail names including Banham's, the toy store, and Iceland, the frozen foods chain before imploding in 2009.

House of Fraser's float plans, which are being led by Don McCarthy, its executive chairman and a big shareholder, are at an early stage and may come to nothing, according to sources close to the situation. Its ambitions could be frustrated by House of Fraser's shareholdings. It has a broad investor base and any change of ownership would require the approval of a majority of the company's backers. McCarthy and his family own a 20% stake, a further 40% is, in effect, owned by representatives of failed Icelandic banks, who took control of the shares when Baugur went bust.

Tom Hunter, the Scottish tycoon,

and fellow retail entrepreneur Kevin Stanford, control 11% and 10% respectively. Lloyd also holds a stake, inherited after taking over HBC, which helped finance Baugur's deal.

The situation is further complicated by a dispute between Kepchung, the failed Icelandic bank, and Stamford over his shares. He was another victim of the banking melt-

down in 2008.

A return to the stock market would be the third time since 1999 that Fraser has been a public company. The chain was floated in 1999 and remained on the stock exchange until 2002 when it was bought by Mohamed al-Fayed in a move that also gave the controversial Egyptian tycoon control of Marmalade, which had been part of House of Fraser for nearly 30 years.

Google: we are beyond British law

Internet giant says High Court has no authority to rule over landmark UK privacy claim

Simon Duke

GOOGLE has smashed the British legal system by arguing that an internet privacy case should not be heard in the High Court.

A group of Britons is suing the web giant for bypassing security rules on their Apple iPhone and Mac computers. This may have allowed Google, which dominates internet search and is worth \$30bn, to track them online without their knowledge.

The Silicon Valley company last week moved to strike off the compensation claim, saying that the British courts had "jurisdiction" over the lawsuit.

As the complex software that powers its services is located in California, the alleged breaches of privacy law should not be heard in a British courtroom, Google says.

It claims if its search engine could be forced to respect these measures, it would, in law, never close.

The attempt to bypass strict privacy rules will fuel the controversy over how Google and other American web companies try to dodge regulations in overseas markets.

Google sold hundreds of millions of pounds in compensation to its legal battle of wits through its international headquarters in Dublin. It claims that profits from sales of course

advertising to UK companies should not be taxed here as intellectual property is housed in California and Ireland.

Dan French, a partner with Gowling WLG, is representing Google, which is responding to the claim in the US, said: "Google has a substantial presence here and earns substantial revenues here. This is yet another instance of Google being here when it suits them and not being here when it doesn't."

French's clients are seeking to bring Google to book in Britain after the company was hit with a record \$22m fine in America. Google circumvented the settings on the Safari internet browser, used on Ipad, iPhone and Mac.

The browser is designed to block the "cookie" software that

allows Google and other internet firms to track users' behaviour across different sites without informing users.

The search giant, led by Larry Page, decided to comment on the British case. However, says partners and all its services, with the exception of the digital wallet, were offered through Google Inc. in California and were therefore subject to US law.

"Will Google force Apple users

whose privacy was violated to pay to move to California to take legal action when they offer a service in this country?" said Judith Vidal-Hall, one of the claimants. "They don't respect privacy and they don't consider themselves to be answerable to our laws on it."

By contrast, Facebook offers its services to Britain through its Dublin branch. This means British users would be able to hold the social network to account under European privacy laws. Yahoo and Microsoft also offer email and other services to European consumers from local offices.

Last week Google's privacy policies came under fresh attack in America after it was claimed that its 40m Gmail users could have no "reasonable expectation" that their messages would remain confidential. The administration came in for a quiet fling.

In its submission to the High Court, Google's lawyers argue that any information gleaned from the search engine is not "private or confidential". This means that the company is under no obligation to hold it in confidence, they say.

The submission will be heard in October.



Larry Page: no comment

Tesco bets on tablet to fight Apple and Amazon

Simon Duke
and Oliver Shah

TESCO is set to ambush Apple and Amazon with the launch of its own tablet computer as it fights to win back shoppers in its home heartland.

The iPad-like device is expected to go on sale in time for Christmas, with price tags from £150 to £250, depending on screen size.

The company has not decided how much it charges for the gadget, sources say. It would be a "high quality"

device similar to Amazon's Kindle Fire, which costs £120.

The move is aimed at replicating the advances of Apple and Amazon, which have seized the home market with Tesco's profitable books and DVDs business in recent years. The supermarket is also hoping to find new ways to connect with shoppers who have become less loyal since the company gave up a stranglehold on food delivery.

The expanded tablet launch comes as:

• Tesco has called in its struggling Turkish arm;

• Government plans to fine supermarket groups up to £500m for failing to give customers a choice of delivery methods;

• supermarket sales criticised by the British Retail Consortium as "excessive";

• Tesco's sovereign wealth fund emerged as Tesco's biggest shareholder;

• Philip Clarke, Tesco's chief executive, is fighting on a number of fronts after last year's shock profit warning; he has moved to the board from making American business, entered talks to merge the supermarket with those of Asda and embarked on a radical reorganisation of its food delivery and Click & Collect stores;

• The supermarket, which has

over 3,000 supermarkets could



Every little app helps: Tesco's tech push

CONTINUE

includes a supermarket bakery, a coffee roaster and a Marks & Spencer coffee bar.

Shire hires big guns to repel Americans

Ben Marlow

ONE of Britain's biggest drug makers has bolstered its bid defences amid fears of a Gilead takeover attempt by a big American rival.

Since the FTEC 100 pharmaceuticals giant has hired Linklaters to beef up its team of advisers as foreign predators pounce on its assets.

It is thought Shire's appointment was prompted by an informal approach earlier this year from Bristol-Myers Squibb, which was a "very important" part of the state's strategy. "I'm very keen

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the existing advisers, Morgan Stanley and Deutsche Bank, to help draw up a range of responses to a formal bid manoeuvre.

Shire is Britain's third-largest pharmaceuticals firm, behind GlaxoSmithKline and AstraZeneca. Its growth has been phenomenal: in just over 25 years the company has gone from start-up to a turnover of the FTSE 100 with 7,000 employees and a market value of £12bn.

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the existing advisers, Morgan Stanley and Deutsche Bank, to help draw up a range of responses to a formal bid manoeuvre.

Shire has been brought alongside

best known for producing drugs that treat attention deficit hyperactivity disorder (ADHD).

Industry sources say the company is based in London, where shares have climbed 20% this year and have repeatedly surged amid recurring rumours that bid offers were about to strike.

Earlier this month the share price hit an all-time high of £14.50.

John Paulsen, the renowned hedge fund tycoon, is among those ploughing into the shares. He recently doubled his stake to 3.8m shares.

Shire declined to comment.

INSIDE STORY

Riddle of the faltering dragon

Michael Sherlock
Hong Kong

A TYPHOON VISITED Hong Kong last week, drowning streets, flooding the stock market and the airport while winds howled and the rain lashed down. The city emerged drenched, but unscathed.

There was something remarkable about it. Hong Kong lived by the narrow margin and it is used to weathering stormy times when Chinese politics and China's economy conspire to send the markets into a tailspin.

For one, though, the local investors are in a less vain mood. A new regime in Beijing is heralding a better credit culture and a slowdown in growth that has provided commodities and currencies from Brazil to Australia, in China turning a corner.

When trading resumed last week in the damp calm that follows a typhoon, the bellwether Hang Seng Index — three days heavy with Chinese stocks — end just more of the gains that have sustained it since late May.

But nobody was calling it a convincingly rally, even though investor confidence was restored after China's imports and exports rebounded more than expected last month. That perhaps means that its economy is starting after half a year of slow growth. The year traded at its highest level in almost two decades at \$1.1 trillion.

Li Keqiang, the prime minister, is targeting growth of 7.5% this year, but it is not clear whether the new leadership has the power to put more money in consumers' pockets and to shift from state-directed investment, often fuelled by debt, to consumption and services.

At the same time, local investors are in the折衷 privileged expert industries inside the business economy and the giant state corporations.

The new men are still trying to grasp the size of their debt problems. Beijing has issued orders to audit consolidated but vast local government debts incurred by the investment bingo squared by a state-owned stimulus in 2008.

They have yet to get a grip on the biggest "known unknown" — China's shadow banking sector, which may have more than \$2 trillion yuan (2008) in non-traditional channels such as trust loans and high-yield bonds that carry an unquantifiable level of risk.

Even if they are sincere about long-term economic reform, which would disrupt cliques inside the Communist Party, they are unlikely to do so in a

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