*the*View

Michelmores

INSPIRATION FOR LIFE & BUSINESS FROM MICHELMORES
Edition VI

Featuring…

Giles Humphries
Co-founder of Mindful Chef

Ellen Powley
Senior Fund Manager at Hargreaves Lansdown

Sir Michael and Lady Morpurgo
Founders of Farms for City Children

J Haynes
CEO of Haynes Publishing

…with expert advice from our specialists

COVER IMAGE BY KATIE LOWE:
EXE ESTUARY, TOPSHAM, DEVON

Welcome

Welcome to the sixth edition of *the* View, a magazine intended to inform and entertain. Whether you are receiving our magazine for the first time, or are a regular reader, I hope you find it an interesting read, and would welcome your thoughts on any of the articles that feature in this issue.

We were delighted to be able to interview the recently knighted Sir Michael and Lady Morpurgo on the fantastic work they have done with their charity, Farms for City Children; an inspiring charity that gives children the opportunity to experience a working farm and fresh country air.

Having advised the recipe box company, Mindful Chef, on their successful crowdfunding, we talk to one of the founders, Giles Humphries, on how they have managed their growth. Meanwhile, J Haynes discusses the history of the iconic producer of car maintenance and repair manuals and how it has adapted its offering to continue to thrive in the digital age, after our Corporate team advised on their acquisition of a digital media platform.

Michelmores' legal experts look at a wide range of issues including the key steps for a business as it progresses from a start-up, through to the first time that the stock is offered to the public, and then exit. We also examine the implications of harmful statements published on social media, and the steps that can be taken to prevent or limit the damage caused, with some useful tips if you find yourself in this situation.

In terms of Firm news, we continue to grow, with talented new hires and a commitment to ensure the service we offer clients is the best in the industry. I am also honoured to have been chosen by my fellow partners to serve as the next Managing Partner of Michelmores, and look forward to taking over the helm from Malcolm Dickinson in May. Malcolm, who has in his 10 year tenure taken the lead in our evolution from a firm with a £1m turnover to a Top 100 law firm, will continue to be closely involved in the strategic development of the Firm.

Finally, after a 2017 that continued to surprise and entertain, what does 2018 hold? We asked some of our experts to take a view on the key issues we may face this year, and their thoughts provide a helpful guide.

Tim Richards, Partner
Head of Commercial Dispute Resolution
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From pasture to plate

Giles Humphries, Co-founder of Mindful Chef – the health-conscious recipe box service – talks about the journey from a start-up launched by three school friends, to a recipe box business turning over £4m and taking the UK by storm.

In this day and age, we could all do with a few handy ways to make life just that little bit easier – like taking the hassle out of cooking dinner. Home delivered meal-kits aim to help make the process of cooking at home simple with pre-measured ingredients and full recipe instructions. The huge variety available is testament to how many people turn to them to liven up their kitchens during the busy working week.

With the wellness industry booming, three entrepreneurial friends recognised a gap in the recipe-box market to supply premium healthy meals by focusing on introducing more fresh vegetables into the diet. Having known eachother since their school days, Myles Hopper, Rob Grieg-Gran and Giles Humphries had long talked about starting up their own business. Giles explains "we had lots of ideas but nothing that really stood out. However, in early 2015, having seen the new recipe box phenomenon come over from the US, we saw an opportunity to emulate the model, whilst offering a product tailored to the more health conscious."

"First we had to build our brand. Our game plan was to be gluten and dairy free with no refined carbohydrates, so coming up with a name that reflected our ethos was the first challenge. We really did want to focus on being mindful – in terms of food provenance, supporting small independent British farms, whilst being conscious of the quality and healthiness of the food we are selling. At the time, Myles was running a successful personal training business, Rob was at Morgan Stanley, and I was working in marketing at M&C Saatchi – so

ABOVE: CHARGRILLED JERK CHICKEN, SALSA AND SWEETCORN.

LEFT: (FROM LEFT TO RIGHT) MYLES HOPPER, GILES HUMPHRIES AND ROB GRIEG-GRAN.

RIGHT & BELOW: MINDFUL CHEF MEAL KIT DELIVERED STRAIGHT TO YOUR DOOR.

BOTTOM: CHIMICHURRI STEAK AND BAKED SWEET POTATO.

together, our skills and experience were relevant and helpful. But in reality, it was just the beginning."

The recipe box industry is growing. The biggest international player, Hello Fresh, floated for €1.7bn on the Frankfurt Stock Exchange in November 2017. Mindful Chef's offering is simple. Their recipe boxes are delivered weekly, and can be paused easily for holidays or the party season. Customers can choose from two to five meals a week, with a choice of twelve meat and vegetarian options. 30 packing staff assemble 100,000 ingredients every week into 496 box combinations, sent out to 3,500 customers across the UK.

"We launched in April 2015, initially serving London and the area within the M25. We were sourcing produce from the West Country each week, then packing and delivering boxes at the weekend. We wanted our suppliers to be small, family run, free range and organic where possible, with fish caught by day boats, focusing on quality. A lot of the early months were spent travelling to meet our suppliers, and there are some great people and stories behind the food we share with customers."

"Doing this ourselves for the first few months was really important to understand the finer details and various challenges. We continued at our day jobs and were running our social media and marketing activity by night – all on a shoestring. We kept this up for 18-months until we reached 700 boxes a week."

"We quickly noticed that our customers wanted their box delivered at the start of the week, to kick-start their week in a healthy way. Towards the end of the week, people are more likely to be eating out with friends or treating themselves with a take-away, so our delivery

days are Sunday and Monday."

"Once we have received our customer orders by the Thursday deadline, we then speak to our suppliers to confirm how much we need each week. We have clever integrating forecasting software, to help us determine quantities, depending on our customer choices each week. This means that we order the right amount of food from our suppliers, operating as a zero waste model. This is different to the supermarket model, which wastes about 20% of foods on shelves each year."

Nine months after launching, Mindful Chef expanded beyond London to serve the rest of the UK. The company now has 30 vans that go out each Sunday, using a courier for other areas of the country. The business has also widened its supplier base due to growing demand. All red meat is sourced from farms in Yorkshire, poultry from Cumbria, and fish from St Ives.

"We wanted our suppliers to be small, family run, free range and organic where possible, focusing on quality."

In August 2015 the company was approached by an external investor, a customer who liked the brand and wanted to get involved. This initial investment allowed Mindful Chef to boost its marketing activity to support its nationwide expansion. The result was a five-fold growth in turnover, reaching £1m in July 2016.

"Next we launched a crowdfunding campaign. We were aiming to raise £400,000, but took £1m in 12 days, which was fantastic. As part of this fundraising, we attracted investment from Sir Andy Murray, Victoria Pendleton CBE, and Will Greenwood MBE. Because of them, we hit the national headlines, which did a lot to raise our profile and confirmed the belief in the quality of the product amongst these amazing sports figures."

"We've grown quickly, but in a lean way. We haven't brought on lots of experts with the big salaries attached, because it has been crucial for us to learn about our business ourselves. The recipe box business is a hugely complicated business to run, because we are dealing with fresh food, which quite rightly comes with its own stringent regulations."

"In October 2017 we completed another round of crowdfunding, this time raising our target of £2m from 680 investors in 11 days."

Mindful Chef is now rated the UK's favourite recipe box supplier by TrustPilot. Its first cook book was published by Penguin Random House in March 2017, and has been ranked as the top healthy eating cookbook for 2017 by The Independent. The company has also put a Board in place, made up of individuals with strong commercial experience.

"It has been a hugely exciting few years. Our customers are great at providing feedback and suggestions, sharing their health results from using our boxes, trying new foods and even losing weight. That's one of the best parts."

"Another highlight was when we sent a box to the Beckhams. We never thought the box would reach them, but a few days later we received an email from Victoria Beckham's assistant, thanking us for the box and saying that Victoria cooked the family a meal using the ingredients. She also suggested creating a family box, which is something that we have since launched."

"In terms of moving the business forward, we see huge potential. Online grocery sales are currently only 9% of total grocery sales, which is still very low. The supermarkets are now trialling their own recipe boxes in store. And if they increase their online activity share, it can only be a good thing for our product, as people become more comfortable and aware of sourcing their food in a different way. Our health-focused offering is distinct."

"Next for us is a new book, coming later in 2018, following the success of our first publication. We are also working on creating more choice for our customers. So at the moment our brilliant chef Louisa is working on new ideas to offer 16 recipes a week. We are targeting more growth by staying true to our values – which seems to be working so far."

www.mindfulchef.com

Protecting your reputation

The rise in social media, 24 hour access to online content and the ease with which anyone can publish material means that more people's names and reputations are being damaged by the words of others.

Expert advice from Jayne Clemens, Senior Associate, Commercial & Regulatory Disputes team

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The number of internet users has reportedly risen from 738 million in 2000 to around 3.85 billion in 2017. Online content can now be created and accessed by an unprecedented number of people. With this power comes great responsibility. The ease with which anyone can publish online material gives rise to the ever increasing potential that individuals and companies will suffer serious harm to their reputation caused by false information or fake news published about them. Whether this happens by intention or mistake, the ability to spread information at an astonishing speed can lead to long-lasting damage to businesses, and in some cases livelihoods.

The impact of harmful statements published on social media is a hot topic. Increasingly, governments are looking at new measures to remove illegal hate speech and fake news from social media platforms.

Whilst there is a real need for stronger measures to be put in place, and arguably social media platforms must take a greater responsibility for removal of defamatory content, there are steps which can be taken to prevent or limit the damage caused.

In England, a number of legal rights currently exist through defamation, data protection, intellectual property ('IP'), privacy and harassment laws.

The general rule is that a statement is defamatory if it is published to a third party and has caused, or is likely to cause, serious harm to the reputation of an individual or serious financial harm to a company. The complainant should be able to show that they can be identified from the published statement (they do not necessarily have to be named). Even then, there are a number of defences on which publishers can and do rely. For example, publishing a true statement is a complete defence to a claim in defamation.

Set out below are some of the tools and tactics you can deploy if defamatory information is published about you or your company.

Report to the host

Users of web and social media platforms are generally subject to terms and conditions. Often the quickest, cheapest and easiest way to have information removed is to make a report to the web host or social media platform provider in accordance with their terms. It is well worth reading the terms of the platform on which the defamatory content appears. Often the way in which a complaint is framed can make all the difference. For example some hosts are quicker to remove material which infringes IP rights than to remove unsavoury comments – for others the opposite is true. Some posts may well contain a logo or photograph which can very quickly be removed by the host. If you take a photograph and post it online, the copyright to that photograph may rest with you. If a publisher subsequently uses it, for example by copying it from your social media pages, without your permission, you may have a right to have, at the very least, the photograph removed immediately. Website providers are afforded certain defences if they have published allegations against others. However, those defences are likely to be seriously undermined where the host is put on notice of a defamatory allegation and fails to remove it, particularly if it is not possible to identify the originator of the allegation. This is another good reason to notify the host early.

When doing nothing is best

Sometimes the best course of action is to do nothing. A reaction can on occasion receive more publicity than the comment itself. Always consider the potential impact of the statement that is being made. If, for example, it is being made by someone on Twitter with two followers, a locked account and who simply wants a reaction from you, then you may decide not to add fuel to the fire by increasing any publicity through reacting to it. However, in the majority of cases we see, action does need to be taken – and quickly.

The cease and desist letter

Writing to the publisher is a cost effective method with a high rate of success. It is, to all intents and purposes, a threat of legal action if the offending material is not removed within a very short timeframe – often 24-48 hours. This will set out the legal grounds for removal of the published information. It is an opportunity for the publisher of the derogatory remark to make an offer of amends to you. It gives the publisher an opportunity to stand back and reassess their actions, apologise and publish a retraction. If the material was malicious then you may not get this outcome from the publisher but, in many cases, we find that it can lead to the removal of some or all of the offending content. It is always worth serving such a letter unless you have decided not to take any action at all. It is easier than you may think to track down and identify the originators of anonymous postings on the internet and the Court may well assist in ordering internet service providers or social media networks to disclose information. We can assist with such applications to the Court.

> **"It takes 20 years to build a reputation and five minutes to ruin it."**
> *Warren Buffet*

If you are at the receiving end of a cease and desist letter you should seek specialist advice on the defences open to you and the best course of action to limit the damage. You may be advised to remove the offending material, apologise, publish a retraction and offer an early settlement. If you don't apologise openly then you may find yourself subject to an increase in damages later on if a claim is found against you. A refusal to apologise can come at a really high price.

The next stage

If the above methods do not lead to the immediate removal of the offending material it may advisable to issue Court proceedings. Given the number of defences open to publishers of defamatory information, it is important to seek advice before taking further action. We sometimes, with the assistance of specialist barristers, assess and advise on the merits and costs of such action before proceedings are issued. Often claims in defamation coincide with claims under data protection, IP, privacy and/or harassment laws. The ultimate aim is to recover compensation and to stop further damage being caused to your reputation. The Court can order the removal of information, an apology, retraction and damages. Generally the remedy is compensation. The vast majority of cases settle before trial.

Before incurring the costs of proceedings you should consider whether the publisher has the means to pay any damages and costs awarded. That said, financial compensation is not always the primary motivator; sometimes having the judgment recorded in a client's favour is vindication enough. The general rule is that claims in defamation must be brought within one year of a complaint being made against the publication. This is a shorter time limit than most legal claims.

When urgent action is needed – The High Court injunction

Where money is not a sufficient remedy and highly damaging or private material must be removed immediately or is about to be published, you should seek an urgent injunction in the High Court. Speed is of the essence and such action is expensive and highly risky. It can however be highly effective as the Court can make an interim order to remove and/or prevent further publication of defamatory material by a publisher. If you consider you require an urgent High Court injunction, you should seek legal advice.

When do you involve the police?

Sometimes a published article generates hate mail or contains abusive and/or illegal content. In that case it is advisable to report the matter to the police alongside any action they may wish your legal advisers to take. The police have wide powers to deal with illegal publications. In some cases publications which were previously easily ignored escalate to include more sinister material. For example, if a malicious publication includes or infers a threat of violence against you, your family or colleagues you would be well advised to contact the police.

When the roles are reversed

If you publish false and defamatory material you could well be damaging your own reputation as well as risking legal action against you. You should have in mind that anything published online can be read anywhere, so if you are the one publishing material you could also face legal action in other countries where it is read. Then, not only are you dealing with English laws, but also local laws in those jurisdictions, which may be much harsher.

English law, however, still supports freedom of expression and freedom of the Press and there are a number of defences available to people who publish information which, for example, contains honest opinion and/or is in the public interest. That said, it is always better to seek advice pre publication before relying on such defences.

> **"A good reputation is more valuable than money."**
> ***Publilius Syrus***

Crisis management – tips

It is important to have a crisis management policy to deal with negative material published against you or your company.

1. In the first instance you should speak to a defamation specialist for advice and potentially a PR agent if there is going to be significant fall-out. PR agents can be really helpful because they can give practical advice about what the newspapers might just do.
2. Ask journalists for any questions in writing and push back on unrealistic deadlines. Don't be bullied to provide a verbal comment.
3. Assume that what you say to journalists may well be published. In the absence of a contract (and in some cases even then) the phrase 'off the record' is unlikely to be a guarantee that the information will not be published in some form, albeit anonymised.
4. Most publications provide specific contact details for complaints and it is advisable to use them to ensure a complaint is directed to the right person. We often liaise with legal departments of larger publications when seeking the removal of, or corrections to, defamatory material both before and after publication. Again PR agents can be helpful to try to limit creating a sense that there is more to the story.
5. Seek legal advice. We have prevented, removed or limited the damage of a number of articles published online, and in the national and international press.
6. If you are accused of defamation, don't panic. There are many defences which may be open to you and actions which will limit the extent of any claim against you. Again, seek legal advice and remember that truth is a defence to defamation.
7. Have social media policies in place in the workplace. These may well give you and your company further protection to deal with employees who publish defamatory and/or malicious statements both inside and outside work. A well-worded policy could save considerable time and legal fees.

Money matters:

looking beyond the headlines and noise

Ellen Powley, Senior Fund Manager at Hargreaves Lansdown shares the firm's 'investment services' offering and discusses some of the emerging trends in the world of private investing.

Established by Peter Hargreaves and Stephen Lansdown in 1981, Hargreaves Lansdown (HL) is one of the UK's largest investment firms for private individuals. The firm manages over £8bn across ten Multi-Manager funds, alongside a suite of financial products for individuals at all stages of life.

Ellen Powley, Senior Fund Manager at HL, joined the firm in 2003, following a degree in economics. Her first role was on the investment helpdesk assisting clients and potential clients on their investments. "Back then, we were still a private company of about 150 employees. Working on the helpdesk gave me a good grounding in terms of helping clients directly with various products and services. Then, in 2004 I secured a quantitative analyst role, studying trends in data to support the decision-making process of the managers responsible for our multi-manager products, also referred to as 'funds of funds'."

"After assisting the fund managers for two years, I progressed to fund management and now manage three of our UK Multi-Manager funds alongside our Chief Investment Officer, Lee Gardhouse. These funds are the HL Multi-Manager Income & Growth (launched in 2002, now £3.2bn), HL Multi-Manager UK Growth (launched in 2015, now £221m) and HL Multi-Manager High Income (launched in 2016, now £507m).

"Our Multi-Manager funds blend together individual unit trusts to create portfolios for clients who have asked us to invest on their behalf, within agreed parameters. These ten funds cover a range of objectives, which in turn may focus on different asset classes. Some invest in specific areas of the world."

The HL Multi-Manager funds team hold hundreds of meetings with underlying fund managers each year, producing detailed reports to help to build a history of each fund manager. This information is vital to the team's decision making,

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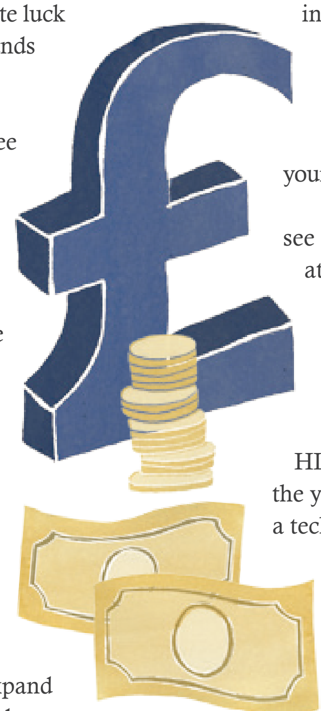
to understand why the fund manager has made certain decisions, any deviations to their record, and how and why something might change in the future. They believe enhanced performance can come from small teams working in the same location, where the fund manager has the full freedom to invest in a way they believe will achieve maximum results. Once an investment has been made, the team remain in close contact with an underlying manager.

“We are very long-term in our investment strategy. Different areas of the market come in and out of fashion and it is impossible to predict which will do best in the future. That’s why we believe in keeping a long-term perspective, really understanding what makes each fund successful and then investing with a selection of the best funds from different areas. We collect hundreds of thousands of data points each month in order to uncover the reasons behind a fund’s performance record. The key is to understand whether fund performance is due to the manager’s chosen style or to their stock selection. The weight of this data enables us to build a picture over time of an individual’s record, often combining numerous unit trusts if they have worked at multiple investment houses throughout their career. In other words, we are trying to separate luck from judgment. The Hargreaves Lansdown funds are then constructed utilising managers who generate performance through stock picking.”

“Our ageing population, big changes to our energy infrastructure and the gig economy all present new opportunities for investment.”



“Initially, when I joined we managed three funds, and have since introduced seven more, growing our total funds under management from £100m to over £8bn.”

“I am extremely proud of our performance, especially the record we have achieved with our HL Multi-Manager Income & Growth Trust. When the Trust turned 15 years old in 2017, it had returned over 93% of an investor’s initial investment (assuming investment at launch) in income (i.e. if you had invested £10,000 back in October 2002, over the course of the last 15 years, you would have received £9,350 back in income). In addition, as of 30 September 2017, your £10,000 would now be worth double, with a value of £21,881.”

Floating in 2007, HL has continued to expand its operation to employ over 1,000 staff, based at its Bristol headquarters, with financial advisors located across the UK. From the time of its very first newspaper advert – headed ‘Choosing a unit trust’, HL has continuously evolved, responding to the changing needs of its clients and shifting financial regulation and policy.

HL’s investment platform, the Vantage Service, gives clients the flexibility to choose from more than 2,500 funds, UK, US, European and Canadian shares, investment trusts and bonds. Investors can hold these investments in a range of Vantage accounts, which include a low-cost dealing account, tax-efficient Stocks and Shares ISA, SIPP (self invested personal pension), Lifetime ISA and Junior ISA.

“Investment options are constantly changing, so one of our main objectives is to simplify the process for our clients. We describe ourselves as an ‘investment service’ offering people lots of choice in terms of types and styles of investing. We also offer a Wealth 150 list based on our rigorous research, which is available to our self-select clients, who plan and implement their own investments. Alternatively, we can manage the process for clients and offer financial advice, for a fee. It’s about providing that flexibility, supported by good technology, to simplify the information clients are receiving.”

“Clients face financial decisions at certain stages of their life. For example, retired clients may wish to receive income from their investments to supplement their other income sources – whereas a younger individual may re-invest this income.”

“Investing is not without risk, but many clients see their investments as long-term, paying less attention to the daily fluctuations of the market. Our role as fund managers is to invest with individuals who we believe can generate performance through long-term strategies rather than trading around international events and political shifts.”

HL has consistently embraced new technologies over the years and in September 2017, the firm opened a technology centre in Warsaw to tap into the wealth of financial technology skills on offer in the city, stemming from its four main universities.

“The real aim of investing so heavily in technology is to make our offering more simple – breaking down data and providing the clarity clients want in terms of the performance of their money.”

“As well as our website, we have an app which gives clients access to their investments at any time. Clients can trade live during market opening hours or top up via the app at any time, whether they are at home or abroad. This year, mobile traffic to our website overtook desktop visits from a home computer, which reflects a shift in the way our clients want to invest with us. We have offered online access for 16 years, and in May 2008 around 67% of clients managed or tracked their investments online. In June 2017 around 88% of clients had online access – so it continues to evolve.”

“Another large part of our ongoing investment in technology is in security – making sure online access is secure and watertight is crucial. Of course, some clients prefer to work with us in a more traditional way, sending cheques by post.”

Throughout its operations, HL is tracking and monitoring investment trends. One such trend is a rise in the popularity of passive or tracker funds, which Powley puts down to investors becoming increasingly price sensitive.

“Replicating the index, passive investing is done by a computer algorithm, buying from all companies, good, average and poor, whilst active funds are trying to improve performance by selecting, in their view, the best of the same collection of companies. We offer both active and passive investment options, with the average cost of investing in our preferred active funds approximately 0.5% more than our passive recommendations.

“The number of passive funds has increased dramatically in recent years, whereas traditionally, active investing has been the preference. We are likely to see more pressure on active managers to reduce fees and offer greater transparency in terms of the fee structure.”

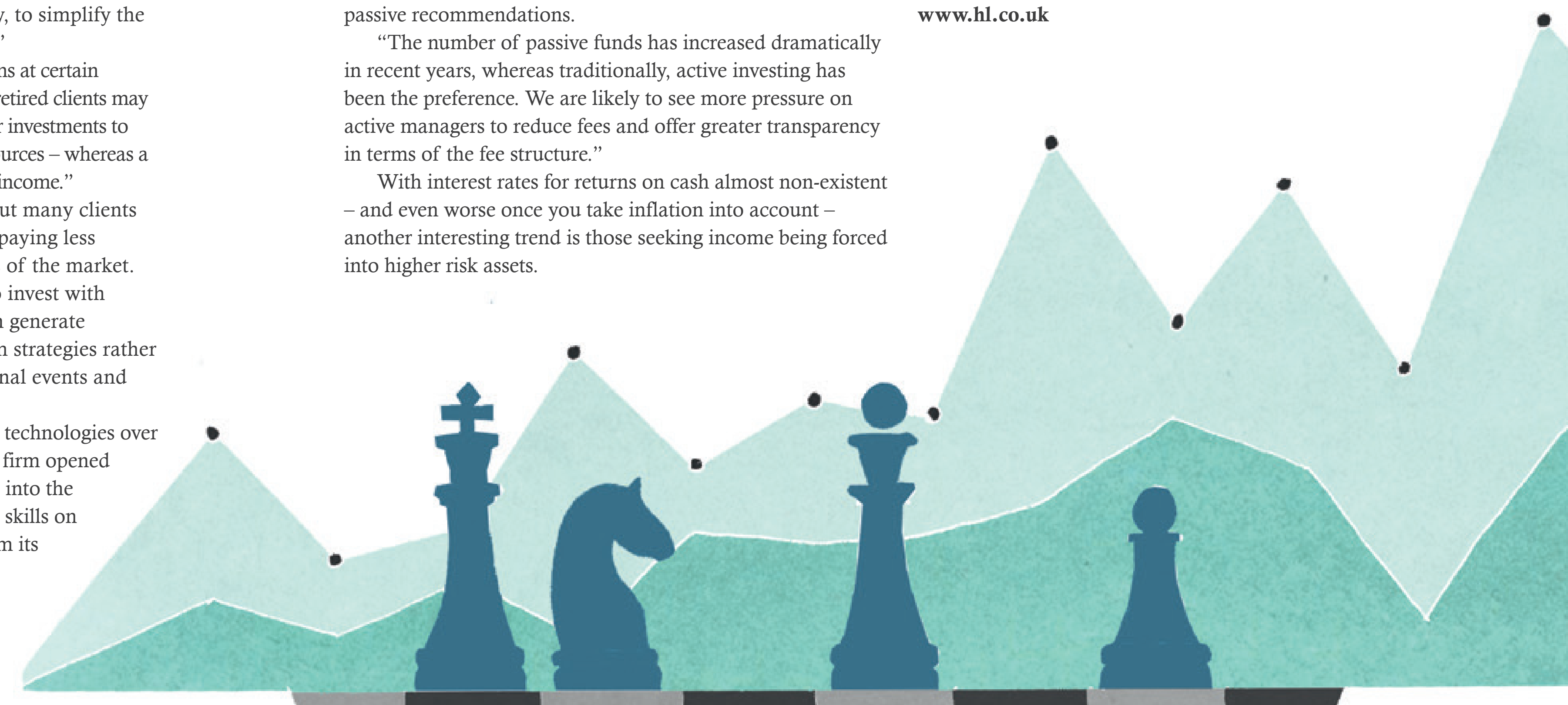
With interest rates for returns on cash almost non-existent – and even worse once you take inflation into account – another interesting trend is those seeking income being forced into higher risk assets.

“The government’s gilt market has, since 1998, paid on average 4%, but now offers less than 1.4% (as at 30 September 2017). Retirees who would traditionally gravitate to the lower risk gilts, are now looking towards equities.”

“In terms of investing, the world around us is changing, and new entrants to the market are coming along all the time. Our ageing population, big changes to our energy infrastructure and the gig economy all present new opportunities for investment. However, the basis of investing remains the same. For us, it’s about looking beyond the headlines and the noise, and identifying those fund managers who can provide that consistent performance, which we can pass on to our clients.”

The value of investments can go down as well as up, so you could get back less than you invest. It is therefore important that you understand all the risks and commitments involved in investing.

www.hl.co.uk



The off-plan proposition

Buying property off-plan can appear a daunting and complicated process that is best left to people with a lot of property experience. However, it could be an intelligent investment in the right market.

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Expert advice from Paul Paling, Head of London Real Estate

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Property has always been a popular and valuable investment option for securing assets and generating additional income, and even more so after the 2008 global financial crisis. A decade later, and for many baby boomers and members of Generation X, who benefitted considerably from the 90s and 2000s rise in property prices, there is the realisation that their millennial offspring may well need a helping hand to get started on the housing ladder. However, in a market that appears to be cooling down, what is a good property opportunity?

Buying off-plan – the next sweet spot?

A growing trend in the UK residential property market has been the number of developments being sold before they are actually constructed (or 'off-plan'). From an investment perspective, the price for the acquisition is fixed before the payment is due, sometimes by a margin of several years, meaning that by the point of completion the value may have moved favourably. It can, of course, move in the opposite direction.

There is an established market for investors buying in the first release of a development with a view to never completing on the transaction and assigning the contract which they have exchanged for a premium or profit. This is possible if prices increase in the period between exchange and completion. The initial price the developer has set will sometimes also create a market in itself.

For London developments at least, this is something which is predominantly a trend for investors overseas (particularly in Asia and the Middle East) and has at times been subject to media and political criticism. However, in practice, despite the headlines, developments are generally released to the UK market before, or at the same time as they are released overseas and units are always available in the UK.

Looking beyond the Capital to the regions

This business model is most commonly seen in large London-based developments, often comprising a mix of commercial and residential property. However, we are seeing signs of it moving out to the regions, particularly in Manchester, which has international reach (not least

"Any purchase decision should be backed by confidence as to the source of funds at a variable completion date."

of all because of the football teams associated with that city!). Often these developments are selling much more than the four walls of an apartment. There is a whole lifestyle on offer with very high-end amenities and services, such as 24/7 concierges, gyms, swimming pools, cinema rooms, and private dining. All this comes with a consequential service charge! For example, Television Centre in White City (pictured) is offering a Soho House members' club, Soho House gym with swimming pool, residents' lounge and a 24/7 concierge. This might not be the historic level of expectation the market is used to but, as London and other metropolitan areas continue to attract foreign investment, ownership and populations, it is satisfying that demand and becoming more of the expected offering.

What do you need to know?

The buyer's experience would typically start with a relationship with an agent associated with a development, a visit to a sales and marketing suite or exhibition, or an advert in the Evening Standard or Sunday Times. Given that the property is not yet complete, you could expect to be provided with sufficiently detailed information to replace the usual buyer's experience of walking around a completed property. This should include a full specification, likely completion date (though this can always move), details of amenities or communal services, estimated service charge budget (bearing in mind it may still be a few years away from completion) and details of the new home warranty being offered. Brochures will typically include many computer generated images of the completed development or, on high-end developments, a virtual reality tour. These should be approached with some caution as they will always be caveated by heavy disclaimers, but they do provide a guide to the intended look and feel of the completed product.

If you decide to proceed, you should expect to be asked to sign a reservation form and pay a reservation fee (typically between £2,000 and £5,000). The reservation agreement will require you to exchange contracts on the purchase within 21 or 28 days, during which time the seller cannot engage with any other buyer for the same apartment. Some developers will tell you the reservation is non-refundable if you fail to exchange. In fact, under consumer codes protecting buyers of off-plan properties, the developer must allow you to change your mind before exchange of contracts and refund the fee, though they may deduct their costs before doing so.

How do the finances work?

On exchange of contracts, a deposit will be payable, usually 10% of the price (the reservation fee already paid will count towards this).

For developments with a long period between exchange and completion, you could expect to pay one or more staged payments along the way, for example two 5% stages or one further payment of 10%.

Deposits and staged payments are protected from the insolvency or default of the developer during the construction programme. This could be by being held in the developer's solicitors' client account, or where the sums paid are released to the developer, through NHBC or a similar insurance scheme.

The balance of the price will be payable on completion in the usual way. The date of this cannot be guaranteed by the developer, but you should expect to be kept informed about construction progress and the likely completion date.

Due to the long lead-in time, and the fact that mortgage offers are usually only valid for three to six months, it would be usual to commit to the purchase before having a mortgage offer secured. Any purchase decision should be backed by confidence as to the source of funds at a variable completion date.

A helping hand

With the recent budget announcement that stamp duty has been abolished for first-time buyers on homes under £300,000, investing in off-plan property could be a considered element of wealth planning and a way of helping children and grandchildren onto the property ladder. It allows you to lock-in the price but not part with any money until two to three years later. And at that point one hopes the offspring will have a clearer idea of their future plans!

Asset protection

If you are considering buying property as an investment, make sure you understand all the costs and other factors involved before making any moves. It is very important to take advice on tax implications and the protection of family assets if the property is acquired in the name of children, spouses or principals.

When you look to help children or grandchildren start on the housing ladder, other aspects to consider include:

- whether your child or grandchild should own the property outright themselves or if you should retain an element of control
- how the asset might be protected in the event of a future divorce or other unexpected event
- how to balance your estate so that your children are treated equally
- if you make a gift to your children, inheritance tax on that amount will potentially be assessed on the recipient if you die within seven years – this possibility should be managed
- you should agree some rules of acceptance with your child or grandchild. Discussing and agreeing the way in which your family's wealth will be managed is more likely to result in its retention than a gift on its own.

Some of these objectives might be met by providing funding in another way – for example by way of a loan rather than a gift. Equally, a family trust can also have a useful part to play in achieving the optimal balance between providing a benefit and achieving an orderly succession to your family's wealth.

Health warning

As with any form of investment it is essential to bear in mind that property values fluctuate and transactional costs are high. Whilst an early profit and exit may be possible, that will always be a function of circumstances outside your control, so it should be considered as a long-term investment.

ABOVE LEFT: TELEVISION CENTRE, WHITE CITY, LONDON.

LEFT: SALFORD QUAYS, MANCHESTER.

Letting inner-city children breathe country air

Sir Michael's achievements stretch far beyond his success as a bestselling author and former Children's Laureate. Together with his wife, Lady Morpurgo, he founded the charity Farms for City Children over 40 years ago. At the beginning of this year, Sir Michael was recognised for his services to literature and charity when he was awarded a knighthood in the 2018 New Year's Honours list. We speak to Sir Michael and Lady Morpurgo about their shared passion for giving children the opportunity to experience the joys of the countryside.

"We were both working as teachers at the time and we felt that, at best, only half the children were benefitting from their education, and were on the road to fulfilling their potential", says Sir Michael.

"Half of them were failing, and we were failing them too, both as teachers and as parents. We wanted to try and change that in some small way. We felt that what all children require most is to feel needed, and this has to happen young. They have to feel that their contribution is important, that they matter."

"So, rather idealistically, we moved from London to Devon, and with the money left to Clare by her father, Allen Lane, founder of Penguin Books, we bought our first farm and set up Farms for City Children. A year or so later the first children came. We pioneered a programme of work designed to extend children in every way possible out on the farm – physically, mentally, emotionally, and intellectually."

The charity has now grown from one farm to three farms, which over 3,000 8-11 year old primary school children visit every year. The children are hands-on farmers for a week and have to do all the jobs that that entails.

"They get up at 7am and feed the animals before they have their own breakfast, muck out the horses, collect eggs, milk goats, dig potatoes,

and learn to cook. They also have fun – they have the run of the house and grounds and are able to play outside freely."

"The vast majority of people in this country now are urban dwellers. They are surrounded by high-rise buildings, tarmac and noise, so this is a completely new world for them. The main challenges are the virtual world that many of these children live in. Lessons learnt on the farm cannot be picked up by looking at a screen, or by playing computer games."

"We think it is vital to growing up to be allowed the freedom of the countryside. Some find it strange – because it smells different, and it can be a bit frightening when the wind blows and the owls hoot at night. But those things, which are part of the wild world, are so important. It can be a child's first introduction to so much that's new and that is what's amazing about it. Those that struggle in the classroom can shine in a different environment, so it is a real leveller. The children go back with the deep knowledge of what an extraordinary place the countryside is."

"We think it is vital to growing up to be allowed the freedom of the countryside."

SIR MICHAEL WITH JOEY, THE STAR OF WAR HORSE.

Sir Michael and Lady Morpurgo have both experienced city life, as well as living in the country. These different environments fuelled their passion for the charity, as well as inspiring Sir Michael's work as an author.

"I grew up near Bradwell in Suffolk by the sea, but also in London near Earls Court. I used to play in the bombsites just after the war because they made the best playgrounds", remembers Sir Michael.

"It is not so much the landscape or countryside itself that inspires my writing, but the people within it and how it affects them or how they interact with nature, animals and each other. Inspiration comes from all kinds of things – a story someone has told me, something I hear on the radio or read about in a newspaper."

Sir Michael has written 130 books including Private Peaceful, Butterfly Liar and War Horse. The latter has been adapted into a play seen by over seven million people and is the National Theatre's most successful production of this century, as well as being adapted into a film directed by Steven Spielberg.

"I am proud of them all, if that's the right word, as they are all my babies – just babies with my name on them", says Sir Michael.

"But if I had to name one as a favourite I would probably say either War Horse or Private Peaceful. War Horse is Clare's favourite and that means a lot, but Private Peaceful was a story that stayed with me for a very long time and was hard to write."

Together with Poet Ted Hughes, Sir Michael also developed the role of Children's Laureate in 1999 – before filling the position himself from 2003 to 2005.

"I talked with Ted Hughes about how children's books weren't taken seriously and didn't get the attention that literature for adults received. We wanted to try and create a role with the help of like-minded people that would be awarded biennially to an eminent UK writer or illustrator of books for children to mark exceptional contribution to excellence in their field. There have been ten Children's Laureates, all different, and all have tried to make the role their own in some way."

Sir Michael and Lady Morpurgo have now settled in Devon.

"It is Devon, the place that Clare spent her long summer holidays and had always loved as a child that became our home, and is the place where we are happiest."

"I love my garden in Devon. I also have the family – grandchildren and now a great-granddaughter to keep me busy. We also both love the theatre and try to see something whenever we are in London," says Lady Morpurgo.

ENJOYING THE FARMS FOR CITY CHILDREN EXPERIENCE.

"We pioneered a programme of work designed to extend children in every way possible on the farm – physically, mentally, emotionally, and intellectually."

"We don't run Farms for City Children any more but, as founders, we are still very involved as much as we can."

"People can support Farms for City Children by spreading the word about our work, volunteering, donating money, attending our events, buying our merchandise or fundraising for us by holding their own events."

www.farmsforcitychildren.org

The Farms for City Children logo was illustrated by Quentin Blake. He is the former Children's Laureate and Vice President of Farms for City Children. Following a visit to Nethercott House in Devon, Quentin did many drawings of children as illustrations for the book Muck and Magic, published by Egmont in aid of FFCC. Sir Michael and Lady Morpurgo chose the image of the child driving a flock of geese as being the one that most caught the ethos of Farms for City Children; learning through doing, taking responsibility, taking part and having fun.

New rules for trading in and developing UK land

New rules brought in by HMRC represent a significant change in the UK tax system in respect of UK real estate. Designed to 'ensure a level playing field' between UK developers and those based in offshore jurisdictions, the nature of the changes suggests that these rules will be applied more frequently in the months and years to come. Companies who acquire, develop and sell UK land need to consider how the rules impact them and what changes they may have to make to their structures going forward.

Expert advice from Jemma Lascelles, Director of Personal Tax

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What are the new rules?

The historic Transactions in Land ('TIL') rules have always intended to ensure that where UK land or property is held for what is effectively a trading purpose (e.g. development), its disposal will be treated for UK tax purposes as an income, rather than as a capital transaction.

The Finance Act 2016 replaced the TIL rules with an entirely new set of provisions and significantly increased the scope of UK taxation on profits from a trade of dealing in or developing UK land: they effectively look through structures or arrangements and expand the territorial scope of the legislation.

Taxpayers are now required to reapply the new TIL tests at the point of sale, looking back over periods of ownership, as 'intention' can change and it may be the case that the TIL rules apply to a proportion of the gain. This is particularly the case where a landowner enters into a 'slice of the action' land development deal.

Who is affected?

The legislation is widely drafted and potentially relevant to anyone with an interest in the sale or development of UK land or property, regardless of the residence of the company or individual, or whether that company or individual is trading in the UK through a permanent establishment. If the disposal of that land is, in substance, a trading transaction, any profit or gain will be taxed as trading income.

The changes are therefore relevant to anyone with an interest in the sale or development of UK property.

Disposals of UK land which occur on or after 5 July 2016 fall under the new TIL rules.

What should I do?

Genuine investors in UK land should ensure they keep good up-to-date evidential support to justify their status as an investor rather than a trader in UK land (e.g. business plans, board minutes, internal communications etc.).

Land transactions should be reviewed closely to ensure investors do not suffer unnecessary tax and equally that any disposals that fall under the new TIL rules are correctly accounted for.

Anti-enveloping

The anti-enveloping provisions prevent property traders and developers from avoiding a charge to income by selling assets that derive their value from land, rather than selling the land itself.

Among other things, this deals with a simple case where shares in a property-holding company are sold.

Expansion of territorial scope

The territorial restriction has been removed for UK land transactions to the effect that non-resident companies and non-corporates are now within the charge to corporation tax or income tax (as appropriate) on the full profit, from carrying on a trade of dealing in or developing UK land.

The definition of 'UK land' is very wide and includes buildings and other structures, land covered with water (including seabed) and any estate interest, easement, servitude or right in or over land.

The Government has stated that it will closely monitor the application of the new rules and may introduce a withholding tax in recognition that in practice, it may be difficult to collect tax from non-residents.

Anti-fragmentation

The legislation contains specific provisions to prevent profits being fragmented between associated parties and placed outside the charge to corporation tax or income tax. The new rules apply to any profit made by an associated person who has made a relevant contribution to the development of UK land by another (other than a passive investor). The definition of 'relevant contribution' includes the provision of any services and a financial contribution including the assumption of a risk. Where the conditions are met, the profits or gains of the connected parties will be combined and the person making the disposal will be taxed on the whole amount.

Change of intention

It may be the case that an investor in UK property expects primarily to benefit from capital growth over time, in addition to obtaining rental yield. The new TIL legislation requires that a main purpose of the arrangement is to obtain a gain from disposing of the property. This condition will not be met in the case of straightforward long-term investment.

Rental income is often an indicator that the asset is held as an investment, although this is not conclusive. The facts of each case will determine whether or not one of the main purposes is to make a trading profit from development and disposal.

It is possible for the intention to change over time, at which point the main purpose test would need to be reconsidered. Any profit attributable to periods before the intention to develop or sell the land was formed does not fall within the new TIL rules and so should still be within the capital gains tax rules. HMRC will accept a just and reasonable basis for any apportionment but it may be necessary to obtain professional valuations to support calculations.

The retention of documentation by investors, to confirm whether or not those intentions have changed, and the timing of relevant decisions, is as important as ever.

'Slice of the action' contracts or overage arrangements

The new TIL UK land rules can be applied to 'slice of the action' contracts.

A typical 'slice of the action' contract will involve a deal whereby a landowner receives a fixed sum at the time of disposal, plus a percentage of sale proceeds of each building subsequently constructed by the purchaser on the land.

Any gain which has accrued whilst the land functioned as a capital asset will not be charged to income tax or corporation tax as income under the TIL rules. The taxpayer will have to clearly document the date on which the intention to develop or sell the land, for the purpose of subsequent development was formed

Why the new rules?

One of the key aims of the new legislation was to ensure that the taxation of onshore and offshore developers was put on a level playing field and to strengthen the anti-avoidance legislation surrounding transactions in UK land.

"The scope of this legislation is potentially much broader and could apply to many more land transactions or property structures."

However the legislation has a much lower threshold at which the new rules bite, where the intention to realise a profit was 'the main or one of the main purposes' rather than 'the sole or main object'. Consequently, the scope of this legislation is potentially much broader and could apply to many more land transactions or property structures.

HM Revenue & Customs has made it clear that it is not the purpose of these new rules to alter the treatment of activity that is clearly investment. However, the legislation has been broadly drafted and the Revenue is under pressure to increase tax revenues. There is, therefore, some uncertainty about the practical application of the new legislation, particularly in cases where there has been a change of intention. Wherever UK property is held and an intention to sell it exists, the rules may apply. Existing arrangements should be carefully reviewed.

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Driving success

Haynes Publishing, the iconic producer of car maintenance and repair manuals, was founded by John Haynes OBE in 1960. His son J Haynes, current CEO of Haynes Publishing, shines a light on the history of the business and how it has adapted its offering to continue to thrive in the digital age.

The story of Haynes Publishing began in 1960. "My father, while serving as an officer in the RAF, offered to help repair a friend's Austin Healey. They removed the engine and started working on it in the spare bedroom. Before taking the engine apart, they thought it would be a good idea to study the manufacturer's manual! However, the instructions were designed for a professional mechanic, not for an inexperienced car owner" says J Haynes.

"In search of a solution, my father decided to take hundreds of photos, documenting their progress in dismantling the engine – resulting in reams of images pinned to the bedroom wall in perfect sequence. That was the 'eureka' moment when he realised that this type of step-by-step photographic guide could be beneficial to other car owners, and change the face of personal car maintenance."

"Today, our offering has broadened and Haynes produces manuals for a wide range of practical interests including sports, boats, musical instruments, motorcycles, military vehicles and even 'Zombie Survival Transport' which has just been published! However, the content we create remains true to the original idea. We still buy the car, motorbike, boat or guitar, take it apart ourselves and get to know it inside out. Our team use this experience-based knowledge to create reliable, trustworthy, hands-on practical advice to help others maintain and repair things."

"We have three on-site workshops located at our head office in Sparkford, Somerset, Newbury Park, California and

"Experience-based knowledge to create reliable, trustworthy, hands-on practical advice to help others maintain and repair things."

Sydney, Australia. It is here that our team of highly experienced and professional mechanics, authors and editors meticulously plan the procedures covered in each Haynes manual. It's a very collaborative process and most of our teams have been with the business for many years, and have a huge bank of tacit knowledge. All of them are car and motorcycle enthusiasts themselves."

"In the early days the company was predominately a mail-order business. My father would advertise in car magazines, but also relied heavily on word-of-mouth, selling manuals to private buyers, garages and bookshops. The real growth came with the realisation that we needed to target the automotive aftermarket and the retailers that helped car owners. The logical sales partners were the automotive aftermarket retailers like Halfords in the UK, AutoZone, O'Reilly's and Advance in the USA and SuperCheap and Repco in Australia."

Haynes Publishing operates globally, with offices in the UK, US, Australia, Holland, Italy, Spain, Germany and Romania, employing 240 staff. "International expansion has been a key driver of the company's success, and for the manual business the most significant growth came from entering the US market. During a holiday in America in the seventies my father realised the enormous size of the US car market. Initially, Haynes entered by covering import vehicles from Europe and Japan, because we covered those cars for the UK market. The US team realised that to compete properly in the US we had to offer a complete service to our retail partners and American drivers, so we started producing manuals for local cars. We set up a workshop and editorial function in California, a mirror image of the Sparkford operation, which is still there today. I believe the Ford F-150 manual is presently our best-selling manual of all time."

"The business grew quite organically during the early years. Over the past few decades however, Haynes has made a number of operational and strategic acquisitions. Initially these acquisitions focused on the consumer manual business and were focused on consolidating our geographical presence while leveraging editorial synergies and efficiencies. These included two US companies, Chilton and Clymer, in 2001 and 2013 respectively, and Gregory's in Australia in 2002. In 2008 we entered a new but closely related market with the acquisition of Vivid, a provider of data and diagnostic solutions to professional mechanics. Vivid, which is now branded HaynesPro also brought with it deep digital and information technology expertise, automated language translation capabilities and knowledge of European markets. In 2016 we acquired OATS, a niche technology business based in Swindon, which provides lubricants and oil database services to local and global oil companies. Most recently, in September 2017, we purchased E3 Technical, which provides Vehicle Mark Registration management solutions and a highly skilled Helpdesk operation. Both acquisitions will initially support the services and solutions we're able to offer our professional market partners, but over time we envisage they will also help drivers."

J Haynes first got involved in the family business aged 14, working in the warehouse during the summer holidays. After university, he joined Haynes Publishing's US operation working in both California and Nashville, Tennessee where he spent nearly four years gaining valuable knowledge across all departments, including finance, production, operations, sales and marketing.

"When the museum opened it was a single building housing 40 cars, and today it has grown to the largest collection in the UK with over 400 vehicles on display."

"After I came back from the US, I worked for Haynes in the UK briefly, but felt I needed to spread my wings, and gain broader business and life experience. I moved to London, joining a specialist small cap investment bank, and after initially working in corporate finance I moved across to corporate broking. However, I always kept up-to-date with what was going on at Haynes, I think it was in my blood somehow, maybe a result of one of my first cots being a packing box next to a printing machine! In 2000, having completed an MBA at the London Business School, I joined the board as a non-executive director. When the opportunity to take an executive role presented itself in 2002 I gratefully accepted the chance to join the Haynes team as Managing Director of the Group's UK and European operations."

"Since 2012 we've been methodically refocusing our business by constantly asking ourselves how we can best serve our customers, and by doing so, create value for everyone involved in the business. We believe our true area of expertise is in the creation and systematic organisation of knowledge based practical information and content that our customers, whether professional mechanic or vehicle owner, know is helpful, accurate and trustworthy. We used to be a vertically integrated business, handling everything from content creation and editorial to in-house printing and distribution. We're now focusing on content and data creation, management and solutions, having outsourced the print and distribution functions to specialist global providers."

"We've also expanded from providing manuals aimed at car drivers, to offer services for the professional market. Haynes Pro is our entirely digital data and solutions offering for professional mechanics and operates predominately across Europe, although we are investing in resources and skilled people to support our global partners around the world. Everything is created in English and is translated into 26 different languages. We don't sell direct to garages, but we provide information, diagnostic and data solutions to independent mechanics through partnerships with third parties such as diagnostic equipment manufacturers, catalogue builders and parts distributors."

"Our latest consumer facing initiative is 'Haynes OnDemand'. This on-line service draws upon the content and information found in our manuals, adds model-specific video tutorials, and makes this information available one job at a time. Car drivers can now access information covering the specific task or job they are interested in. We remain committed to our manuals, as evidenced by our new title programme, however our digital offering will complement our manual programme, and broaden the access points through which drivers can find our instructional information. We're keen to work with both new and long-standing partners in finding innovative ways that we can share this content with their customers. In our financial year ended 2017 our revenues grew from £25.7m to £29.8m, and our digital revenue grew by 51% to represent 40% of Haynes' revenue."

In addition to its manuals and professional products, the Haynes family also runs the Haynes International Motor Museum, near Sparkford. The museum houses an impressive car and motorcycle collection, built up by John Haynes over many years, which he gifted to the nation. First opened in 1985, and run as a charity, it was extensively expanded and refurbished in 2015 – a large-scale project managed by J Haynes' brothers Marc and Chris Haynes, who together developed the museum into what is it today.

"I was particularly delighted for my brother Marc, who ran the museum for many years before sadly passing away last year, when it won the prestigious International Historic Motoring Award for 'Museum of the Year' in 2014. It was a great recognition of, and testament to his vision, drive and contribution to our motoring heritage."

"The museum is my father's way of saying thank you to all the car and motorcycle enthusiasts, both at Haynes and among our customers, who have helped build Haynes into a successful international company. Dad is passionate about motoring, and over the years created a collection of interesting cars. He kept the cars all over the place - in friends' garages and barns all over Somerset, and one day felt he should display them so more people could enjoy them. He created a charitable

ABOVE: CLASSIC CARS ON DISPLAY AT THE HAYNES INTERNATIONAL MOTOR MUSEUM.

trust, built a museum and effectively gave his private collection to the nation. He's ensured that the cars and motorbikes he carefully collected are preserved for the enjoyment of this and future generations. When the museum opened it was a single building housing 40 cars, and today it has grown to the largest collection in the UK with over 400 vehicles on display."

In 1995, Haynes Publishing founder John Haynes was awarded an OBE for his long-standing services to publishing. When receiving his OBE from Prince Charles, he was asked if he had a manual covering the Prince's Aston Martin, to which he replied, "no, but if you lend us yours, we'll make one!"

57 years after John Haynes stripped down his first car engine and created the very first Haynes Manual, the future of Haynes Publishing is bright. J Haynes became CEO of Haynes in 2017 and John Haynes remains an active board member, and still comes to the office nearly every day, living nearby with his wife Annette.

"We remain committed to providing reliable, accurate and trustworthy practical advice. It is at the very core of what we do. Going forward, the Haynes team will continue to explore how we can provide even more information to independent mechanics and drivers by merging professional and consumer content and data. We'll continue to explain the complex and bring transparency that will empower people to make informed decisions about how they look after and repair cars, motorcycles and other physical objects. It's a very exciting time to be involved with Haynes and I feel privileged and grateful to be part of the Haynes team."

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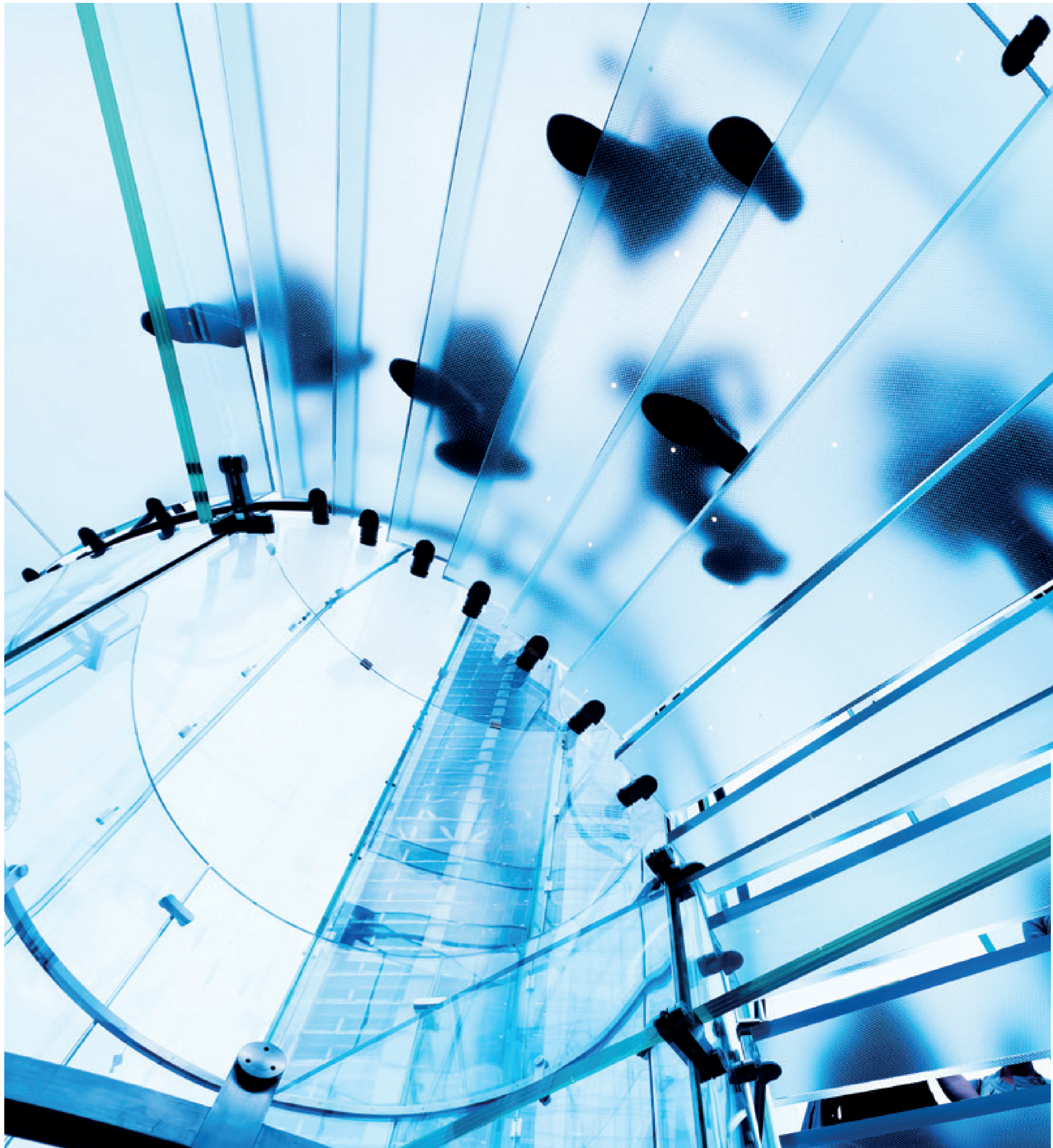

Turning corners

Business life is a journey, not a destination. Just as some entrepreneurs are starting their journey, others who have already gone round once may be willing to invest time and money in the next big thing.

Expert advice from Richard Cobb, Co-Head of Private Wealth

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There may be seven ages of man, but I would suggest there are four key turning points in the business lifecycle. Seeing the big picture, and which step you are on, can help the planning process and get you ready for turning the next corner.

People come to us for advice on this journey at all stages. Whilst we may be known for our larger corporate clients, corporate deals and private wealth advice, it is part of our strategy also to attract a select number of start-ups, such as the recipe box service, Mindful Chef. These businesses can benefit from the wide reach, contacts and specialist commercial expertise we have available, especially if they come to us via current clients, known advisers or specialist incubators.

Start-up

There are around 350,000 new business start-ups in the UK each year and, while many fail, the South West has the highest three-year survival rate in the UK (63%) and the highest percentage designated as high growth (23%) (according to the Virgin Start Up report Nov 2016). Outside London and the South East, it is also the region with the highest number of businesses per capita, although the vast majority (99%) remain SMEs. The number of 'silver start-ups' is growing – people over 50 are starting more businesses than ever before (even more than the under 30s), fuelled by the lump sums now available under recent pension reforms.

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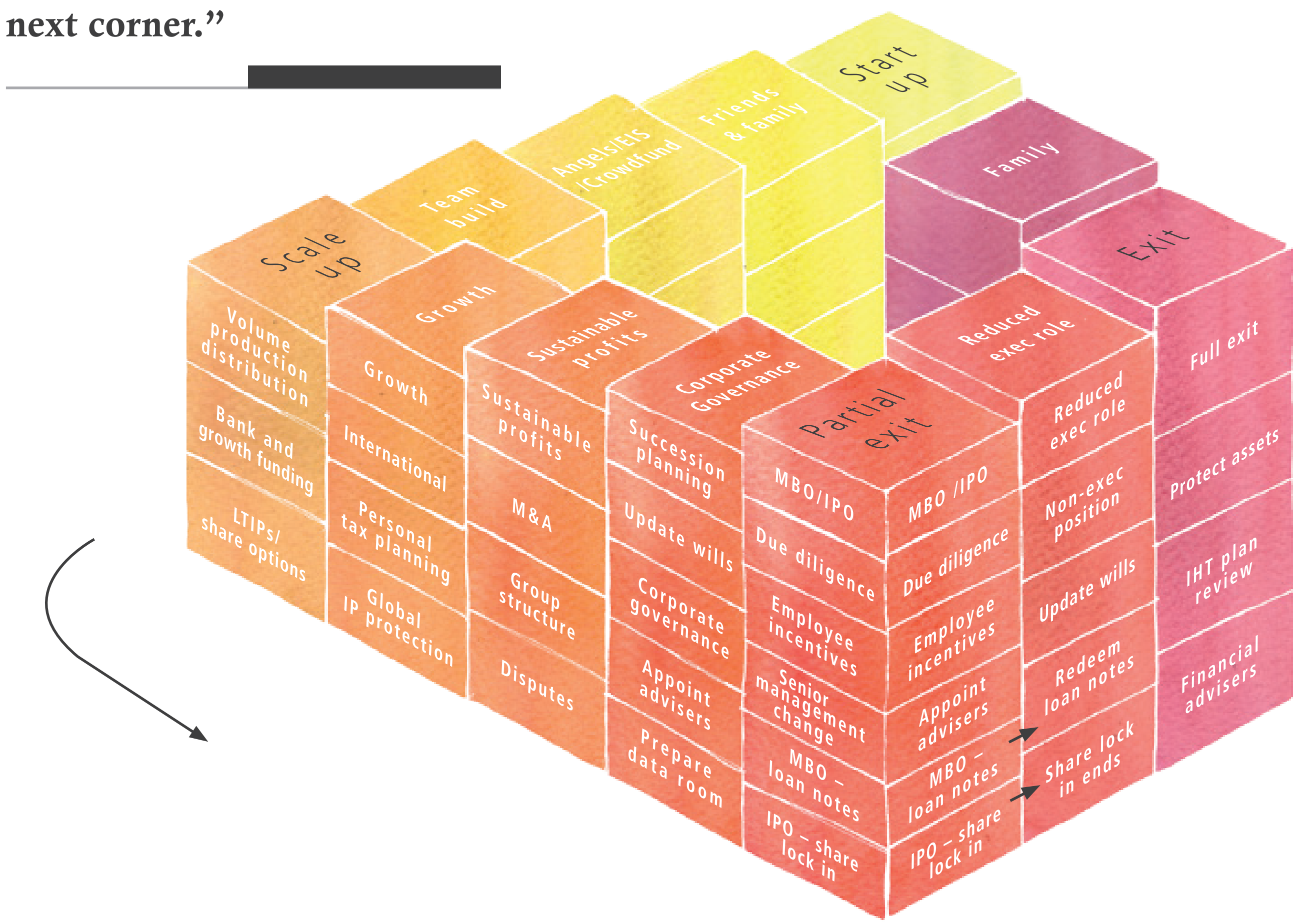
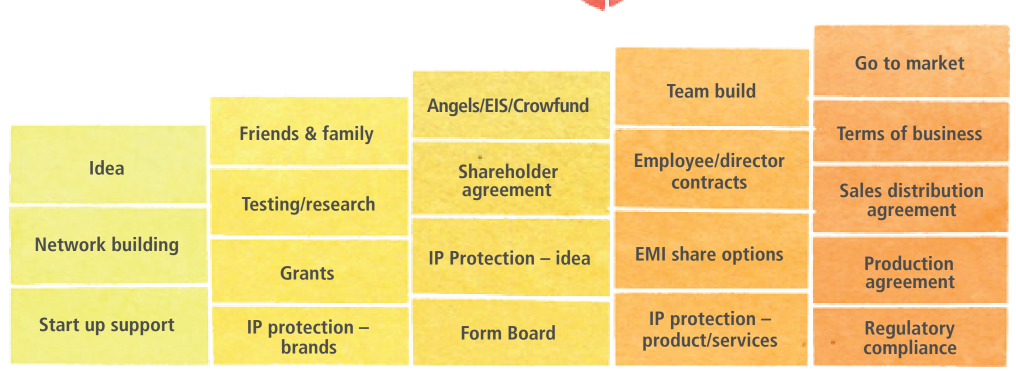
Key turning points in the business life cycle

“Seeing the big picture, and which step you are on, can help the planning process and get you ready for turning the next corner.”





Progressing through the business life cycle involves a number of stages. These are underpinned by building blocks that relate to key issues involving employment law, tax, financial planning, and financing. The diagram is intended to help identify at each stage the considerations a business owner needs to be aware of as the business goes from start-up to successful exit.

Key steps in the start-up phase beyond the big idea include; raising finance from friends, family, business angels and grants (and pensions), creating and protecting intellectual property (IP) and forming and securing a team. When funds and resources are scarce, it is vital to prioritise elements that really form the foundation of a successful business, such as a sensible shareholders agreement, employment contracts and IP protection. Tax planning is another key element- especially as various tax incentives such as EIS, and R&D tax credits can be easily overlooked or lost. For the over 55s, borrowing against a pension pot rather than drawing down the cash itself should also be considered to save income tax.

Scale-up and beyond

This is the key stage of a business destined to grow beyond a handful of employees, leading to sustainable profitability. The Scale Up Institute defines a scale-up as having more than ten employees, with average growth in employees or turnover of more than 20% per year over a three-year period. There are currently around 9,000 scale-ups in the UK. A great report by the leading university spin-out group, SetSquared, identified the different needs of scale-ups over start-ups. Staff numbers grow to a level where real management, often multi-site, is required, and more specialist positions replace the multi-tasking roles typical of the start-up phase.

All the machinery (sometimes literally) required to make profits is needed here, and the risks and costs of doing business are multiplied. Moving from early adopter customers to mass market growth (with the more complex sales cycle, and supply chain involved) is another big step – when sales forecasts, which supported investment, are really tested. Growth capital, bank lending, employee incentives such as EMI Option Schemes or LTIPs, acquisitions, international expansion and, dare I say it, commercial disputes, figure in this stage.

Corporate governance becomes important and an eye on succession planning is recommended. This stage, and beyond scale-up to maturity, can last years (even generations) and always has its ups and downs, (and requirements for legal advice!) many unpredictable. Equally, in 2017 over 50 IPO exits were from enterprises under five years old (Source – Barclays Entrepreneurs Index) so this stage can be shorter than you think for a high growth business.

Partial exit corner

Although business owners do occasionally get approached ‘out of the blue’ to sell-up, for most shareholders there is a stage where good succession planning leads to a partial exit. This can be a sale of less than 100% of the shares, or a sale of all the shares, but with deferred consideration that pays the cash later, such as the vendor loan notes usually used in an MBO. I would put an IPO on this corner as well – most require ‘Sellers’ to hold on to the newly listed shares for a year or two and, after that, it is still hard to sell a large stake without participating in a full PLC takeover. Professional advice will help negotiate this important corner.

Exit and reinvestment

Eventually the loan notes are repaid, the IPO shares can be sold, or out of the blue a buyer turns up (though none of these outcomes is guaranteed!). Fully and finally converting an investment in a trading business into liquid cash gives huge opportunity to spread future risk and realise other personal ambitions.

Once immediate and family needs are properly secured, and vital steps such as updating wills have been taken, if there are still funds available, it may be time to explore reinvesting in high risk/reward assets. Shares in early stage companies where SEIS or EIS relief is available to act as an additional incentive might be appropriate. Or you may prefer to let your pensions or financial advisors pick funds or investments which cover this essential area of the economy. This is also a time to consider developing within the family a ‘philosophy’ around the management of wealth. Discussing the next generation rules of engagement can help ensure a shared approach towards the transition of the wealth when the time comes and avoid future misunderstandings. We help clients set up bespoke trusts and family investment companies to manage their own investments, or introduce them to family office advisers.

We never know exactly what is around the corner, but I hope this article will help you assess roughly where you are and where you hope to get to, highlighting some of the key steps on the way, should you choose to take them.

2018: The big issues

This year brings with it a raft of regulation, political and economic changes, all of which have legal implications for individuals and businesses.

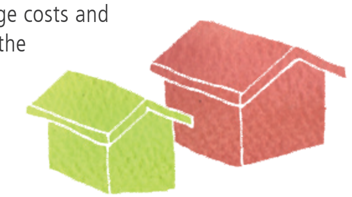
Consumer rights changes

As of 13 January, imposing any surcharge on anyone paying by a credit or debit card or online has been banned in the UK. For consumers this means an end to the extra cost added on at the end of the process of buying something, such as a flight ticket, or being hit with an added charge when using a card in a small shop. For small businesses, this could have a big impact. Any business is within its rights to refuse a method of payment. The question is whether this will affect their trade by doing so, especially as the use of non-cash payments is growing fast.

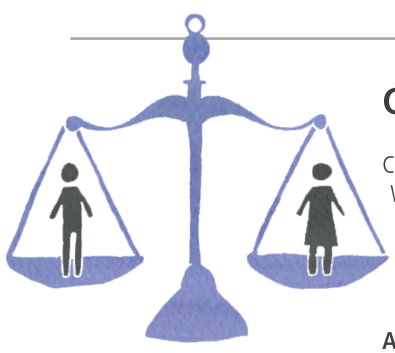
Katharine Everett Nunns,
Barrister in the Commercial & Regulatory Disputes team

Buy-to-let tax restrictions

From April 2018, mortgage interest tax relief that landlords can claim under the existing system will drop to 50% of their finance costs. The remaining 50% will have the basic rate of tax applied. The restriction could affect investors who are both basic rate and higher rate taxpayers. The changes will have the greatest impact on higher rate taxpayers, and landlords with high mortgage costs and low rental incomes. Due to the changes, some landlords could also be forced into the higher tax rate.



Jenna Fyfe, Tax Manager



Gender pay gap reporting requirements introduced

Come April, organisations with 250 or more employees will be required to publish their gender pay gap information. While SMEs employing less than 250 people will not directly need to report on their gender pay discrepancies, this is not something that should be ignored. The reporting threshold may well be reduced in the coming years, and could become relevant for small businesses if, for example, they are suppliers to large corporates, which will be required to report on their entire supply chain. Ignoring it could result in damage to customer relationships.

Andrew Tobey, Head of Employment

GDPR

Coming into force on 25 May 2018, the regulations are the culmination of four years of lobbying and debate in Europe. Don't be daunted. Organisations that meet current requirements are well-placed to comply with the new rules and whilst GDPR presents challenges, it should also be seen as an opportunity. Customers are increasingly privacy literate; and embracing the changes introduced by GDPR will increase trust and strengthen brands.

Tom Torkar, Partner, Technology & Innovation team

Brexit

With the ratification of the deal for the UK leaving the European Union due to be finalised in October, uncertainty around access to the single market and all the questions its absence raises in terms of the movement of people, goods, regulatory issues and access to services, will continue to dominate decision-making for businesses.

Andrew Oldland QC, Senior Partner
and Head of the Regulatory team

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