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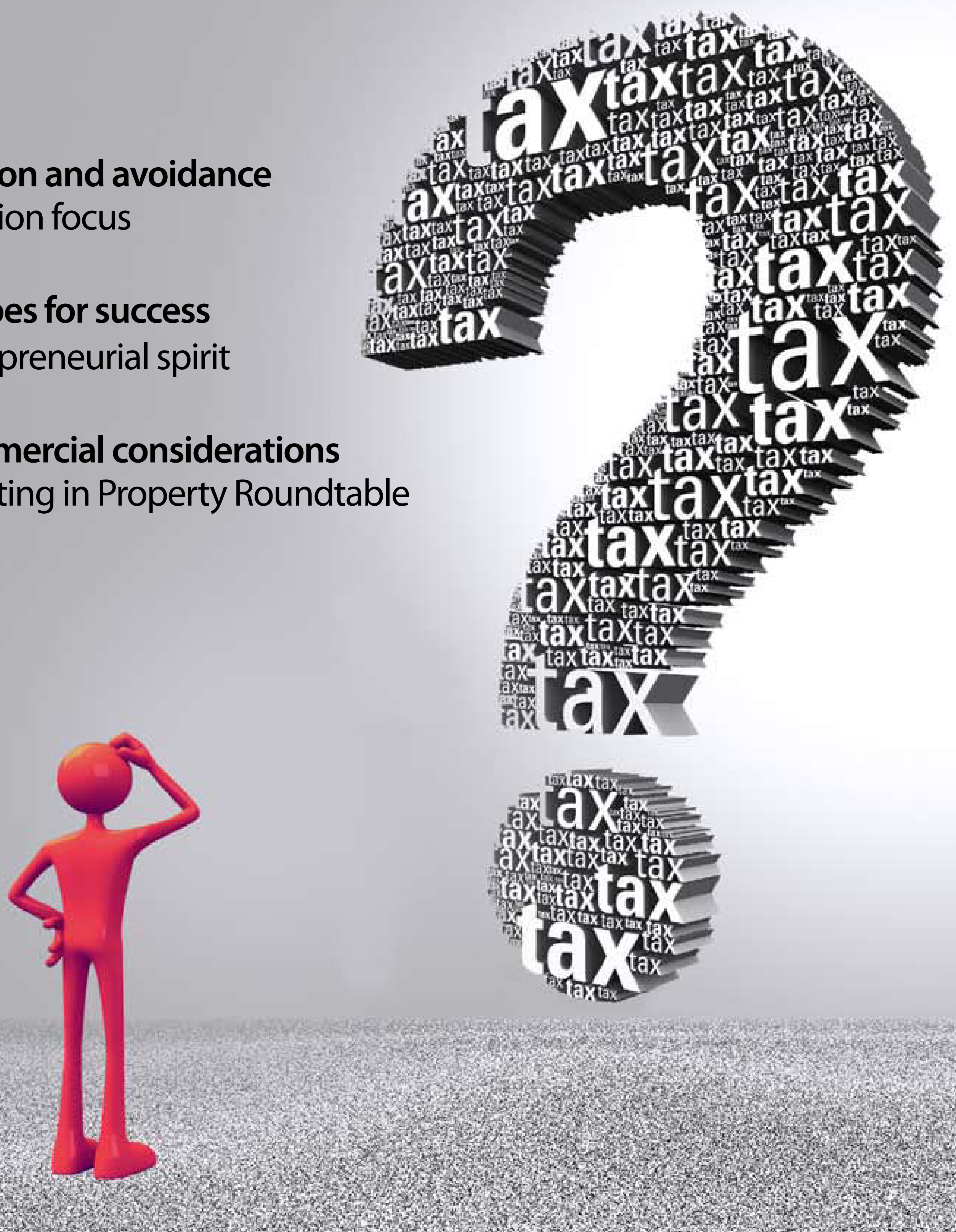

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opinion

We should put the coalition government's spending cuts in an historical context – and not get ourselves too worked up

This column was written before the spending review, but, anticipating what the chancellor might say, it's worth stressing these points:

• the cuts will be introduced over a four-year period

• many reductions will go completely unnoticed by the public

• some budget cuts announced by George Osborne will never actually happen.

Vested interests will shout and scream about how the fabric of society has been ripped apart by these savings in public expenditure. This will be mostly hot air, and misguided.

Oxford University's Centre for Business Taxation has argued persuasively that we are not talking about significant spending cuts at all, more spending reallocation.

For instance, total public spending will fall by only 3.6% in real terms between now and 2014-5.

By the time we get to 2015 we will be spending 40.9% of GDP – exactly the same as in 2007-8.

This represents an increase in spending in real terms of over £13 billion, compared with 2008-9.

It is true that some people in the public sector will lose their jobs. It is true that some areas will see cost cutting.

But, viewed soberly, this spending review will be far less damaging to public sector services than the media and the unions will make out.

What do you think?
Email david@elcot.co.uk

David Murray
Publisher

The spending review: impact on Thames Valley

The Thames Valley is likely to emerge from last month's spending review relatively unscathed

The strength of the private sector in the region, and the fact the area is less reliant on the public sector than the north, has led local businesses to treat the chancellor's spending cuts with a shrug of the shoulders.

Indeed, the reaction from some quarters was that the spending review might offer new opportunities for private businesses to provide an alternative to public services.

The fact that the review has also supported investment in infrastructure that underpins economic growth has also been welcomed.

For the south east, the following capital programmes will be supported:

• A £248 million refurbishment of Epsom and St Helier University Hospital's St Helier site. The redevelopment is a key part of a reconfiguration to modernise local health services in the area;

• £69m to support phase 3 of the Diamond Synchrotron project in Oxfordshire to support ground breaking research into life, physical and environmental science; and

• £37m upgrade of Pirbright Laboratory, Guildford which leads research into diseases such as foot and mouth and bluetongue viruses, helping to safeguard UK livestock industries, worth £8 billion per year.

There was a warning that the spending review would only be worthwhile if the cuts were carried through.

Fay Webster, south east regional director of accountancy body ICAEW, said: "There is now a plan to reduce public spending - the challenge is not only to see this plan through but to ensure the fiscal goals announced today are delivered. Strong financial management will be critical to delivering this. It will require transparency, objectivity and clear accountability, especially where fiscal responsibility is devolved, for example, to local authorities."

With regard to the 15% cuts announced to HMRC's budget, Webster said: "HMRC has already had to make significant efficiency savings in recent years. At a time of fiscal austerity, the Government should not compromise its ability to collect revenue. I would not want further cuts to its budget to undermine this."

In response to the chancellor's confirmation that the Crossrail project will go ahead, property agents Jones Lang LaSalle gave the following comment.

Charles Pinchbeck, director in Central London Development, said: "The news that Crossrail will be funded and go ahead confirms industry expectations. Removing the final element of uncertainty should allow related real estate projects to proceed, which is great news for the property industry."

Guy Parkes, head of the Western Corridor office, said: "Crossrail is possibly going to be the most important contribution to the Western Corridor region since the M25 was constructed. Connectivity has been the foundation of growth for the region revolving around Heathrow Airport as a spring board to mainland Europe and complemented by excellent road infrastructure - M4, M25, M3 and M40 - and also fast trains to London and now across London to the financial centre in the City and Canary Wharf."

He continued: "These improved transport links will mean that access to finance, customers and talent - all key fundamentals for occupiers locating in the south east - will be improved. Decentralisation will now become a realistic ambition for many businesses considering relocation out of central London in order to achieve cost savings."

Meanwhile, the scientific and technology communities in the Thames Valley will have heaved a sigh of relief, said accountants and business advisers James Cowper, when George Osborne announced in his spending review that the science budget would be frozen at £4.6 billion a year.

R&D in the medical, information, computing and green technology and academic sectors plays a huge part in the local economy and any cuts would have had a significant knock-on effect.

Sue Staunton, a partner and head of James Cowper's technology team, said: "The Government recognises that future growth to the UK economy will come from the science and technology sector. The Thames Valley is at the heart of this community and will welcome the decision to ringfence this budget."

However, question marks still hang over the funding of new buildings, equipment and involvement in international programmes, which were not covered by the spending review.

Staunton added: "There will be concern that cuts to this 'capital budget' will follow at a later date and that this will hit the science and technology sector hard."

David Bowen, director of public sector at KPMG, said: "The chancellor's statement signals the starting gun in a shift from public sector to private sector investment in public services.

"Public sector cutbacks are likely to provide opportunities for business service providers. The chancellor announced that about 490,000 public sector jobs are likely to be lost in the coming years, with services integrated, and assets sold. This will create opportunities within the business services sector, but not necessarily for the traditional players.

"We anticipate a new wave of investment in service provision, and some new entrants such as PE houses. The reason for this is that government wants to see greater enterprise and innovation, and upfront acceptance of risk through contribution of equity. As government begins to divest, they are expecting increased support for the 'Big Society', an emphasis on moving public services from the centre to localities.

"Whilst there will be further traditional outsourcing opportunities for back-office and middle-office support, the chancellor has outlined a climate which favours the brave, those who are able to support ventures which involve the third sector, charities and voluntary organisations.

"The chancellor's mantra that 'we are all in this together' is creating an exciting and more inclusive delivery space which we think will re-shape the provision of business services. The key question is whether this re-shaping of the market will support the transition of public sector staff to the private sector."

The Business MAGAZINE:DIGITAL

Read these stories in full in this month's issue of The Business Magazine:Digital at www.businessmag.co.uk

Get SET for finance opportunities

Innovative technology companies can get funding from "incubators" such as SETsquared...

Trading safely: Minimise your exposure to distressed customers

As we approach the busiest trading period of the year for many businesses...

How your business can take off with TVIN

One route for funding for businesses in the region is the Thames Valley Investment Network...

New office for Barclays Corporate

This month sees the opening of a smart new headquarters for the Heathrow and Slough Team at Barclays Corporate...

Connecting investors and businesses

A new online service has launched that connects investors with businesses looking for funding...

Supporting entrepreneurs

With many businesses now seeking reliable and flexible forms of funding, Leumi ABL is taking a consistent approach to...

Companies now planning for sales growth

Thames Valley businesses are preparing for growth over the next two years, as the fragile recovery starts to take hold

The Enterprise Survey 2010 of accountants in business, now in its 14th year, suggests that the proportion of businesses in the region planning any turnover growth has increased significantly since 2009. It is now at a similar level to that shown in 2008.

In line with the proportion planning growth in the UK overall, 79% of businesses in the south east plan turnover growth over the next two years. In addition, increasing profitability is the key business objective for over half of businesses in the south east.

The survey is carried out by ICAEW, the accountancy body with 775,000 members. Fay Webster, ICAEW's south east regional director, said: "This survey demonstrates that, as the economy begins to recover, growth expectations in the south east have recovered significantly. Despite a challenging 12 months, the resilience of the south east shows through with the majority planning growth and setting various objectives."

A total of 73% of south east businesses cite improvement of IT systems as an objective compared with 65% for the UK overall and 52% increasing management rewards compared with 44% for the UK overall.

The survey also shows that businesses in the south east have been less affected by changes in access to finance with just 23% saying they have been adversely affected by changes over the past year, compared with 31% for the UK overall.

In terms of global engagement, businesses in the region are more likely to be involved in a number of international activities than other regions. They are more likely than other businesses to say they currently sell to other countries, have operations or activities abroad, adapt their products and services to other markets and have a share of their business functions that take place outside the UK.

In line with globalisation, the survey shows that businesses in the south east have strategies in place for developing their international competitiveness. Companies in the region are more likely (55%) than businesses in the UK overall (43%) to say they plan to expand into or increase market shares in countries outside the UK in the next two to three years. Furthermore, they are more likely to be planning to increase the extent to which they adapt products or services to other markets (44% compared with 35% for the UK overall).

In addition, around half of businesses in the south east feel that the UK regulatory and taxation regime is business friendly. They are less likely (54%) than businesses in the UK overall (61%) to cite employment tax as a hindrance to their operation and development.

The annual survey of chartered accountants in business provides a unique picture of the opportunities and threats facing UK businesses: economic issues, growth, globalisation and regulation.

To access the full survey report see below.

Details:
www.icaew.com/enterprise

New artwork installation in harmony at Oxford Science Park

A major new sculpture has been installed in the Sadler Building at Oxford Science Park. FRACTION (9:8) is a permanent, site-specific work conceived by Conrad Shawcross (right) for the Sadler Building.

Suspended from the ceiling and over 14m in length, FRACTION (9:8) continues the artist's investigation into the mathematics of music and harmony.

Taking the chord of The Second, which has a 9:8 ratio, the artist has created a huge three-dimensional representation of this chord as it falls towards silence.

In 2008 the developers of Oxford Science Park, advised by Modus Operandi Art Consultants, launched a competition for artists to create an artwork to be installed in the Sadler Building. Conrad Shawcross won the competition and was commissioned by Oxford Science Park joint venture partners, Prudential and Magdalen College, Oxford.

Charles Young of Magdalen College commented: "The standard of entries for the competition was very high and we felt that the proposal submitted by Conrad Shawcross was clearly the most impressive. He responded creatively both to the space within the Sadler Building and to the wider environment of the Science Park.

"For many years developers have been encouraged to enrich commercial property developments with public works of art. We are delighted to be able to continue this practice and bring a spectacular new work of art to a unique site in Oxford."

Since winning the commission, Shawcross has also been appointed the artist in residence at the Science Museum in London. He is represented by Victoria Miro Gallery, London.

The Sadler building contains Oxford Science Park brasserie bar and restaurant and visitors are welcome to view the sculpture on weekdays between 8.30am and 3.00pm.

Go get funds, go get Digital

The Digital Edition, which is achieving tens of thousands of page views, focuses this month on Funding your Business

The edition includes a number of useful articles for companies looking for innovative ways to finance their growth.

We take a look at the Thames Valley Investment Network which funds companies in the technology, media and green-tech sectors.

We highlight the SETsquared "incubator" that supports early-stage companies and is backed by four universities, including Southampton and Surrey.

And we see how the South East Innovation & Growth Team is helping entrepreneurs to access growth funds.

In other articles, we look at how the recession has seen a rise in the number of apprentices over 50, and we hear how outsourcing could benefit from the recently announced public sector cuts.

The Digital Edition is an all-digital publication with exclusive content, including regular Viewpoint articles where local business people can raise issues of concern to them.

To view the Digital Edition, simply go to www.businessmag.co.uk and click on the image on the home page.

Alternatively, you can register for an e-newsletter which will link you to the magazine each month. Nearly 2,000 readers have registered so far.

The publisher Elcot Publications is now developing an App so that the magazine can be downloaded from the App Store and read on iPad devices.

Thames Valley Shareleague

Spectris, the Egham-based group that designs, develops and markets productivity-enhancing instrumentation and controls, was one success story in an outstanding month for Thames Valley companies when it came to share price gains.

In September, Spectris chairman John Hughes said the gradual recovery seen towards the end of last year continued into 2010, with demand improving across more regions and end markets. The interim report saw sales up 9% to £405 million and operating profits up 150% to almost £50m, helping the share price rise 22%.

Micro Focus, the Newbury-based provider of enterprise application and management solutions, was one of the high fliers among medium-sized companies. Its share price rose 27% after the group announced the release of the newest versions of two mainframe migration tools.

"Businesses today - particularly in this economic climate - are constantly looking for ways to simplify their IT infrastructure, to lower costs, and to do so without sacrificing the ability to deliver innovative new products and services to their customers," said CTO Stuart McGill. "Time and again we're seeing companies turn to mainframe migration projects to achieve these goals."

The group also appointed a new chief financial officer in Mike Phillips, who was CEO at Morse plc until its July sale to 2e2.

The star performer again came from the sub-£50m turnover groups, however, with the share price of Oxfordshire-based Environmental Recycling Technologies soaring 81%. The AIM-listed company is a leading developer of innovative technologies specifically focusing on plastic waste recycling.

Large (over £1 billion)

	Closing price 31/8/10	Closing price 30/9/10	Change in share price
WOLSELEY	1259	1599	27%
SPECTRIS	878.5	1073	22%
ICTL.HTLS.GP.	982	1136	16%
HALMA	274.3	316.5	15%
BRITISH AIRWAYS	211	242.8	15%
SEGRO	270.4	273	1%
CABLE & WIRELESS COMMS.	56.4	56.75	1%
VODAFONE GROUP	157.15	157.1	-0%
BRITISH SKY BCAST.GROUP	707.5	705.5	-0%
CENTRICA	325.3	323.5	-1%

Medium (£250 million to £1 billion)

	Closing price 31/8/10	Closing price 30/9/10	Change in share price
ASHTEAD GROUP	76.95	109.9	43%
MCBRIDE	139.5	185	33%
MICRO FOCUS INTL.	301.4	381.5	27%
SHANKS GROUP	98.25	112.7	15%
MORGAN CRUCIBLE	194.4	218.5	12%
SDL	570.5	597.5	5%
INTERSERVE	194.25	201.25	4%
YELL GROUP	14.46	14.77	2%
DAIRY CREST	367.8	370.8	1%
DE LA RUE	700	660.5	-6%

Small (£50 million to £250 million)

	Closing price 31/8/10	Closing price 30/9/10	Change in share price
OXFORD INSTRUMENTS	360	502.5	40%
BIOCOMPATIBLES	267.5	363.5	36%
MICROGEN	85	106.5	25%
INTEC TELECOM SYS.	63.5	75.75	19%
ALBEMARLE & BOND HDG.	242.5	287	18%
OXFORD BIOMEDICA	9.55	9.4	-2%
COSTAIN GROUP	222	210	-5%
ACAL	204	192.5	-6%
HMV GROUP	59.5	48	-19%
TISSUE REGENIX GROUP	16	12.25	-23%

Sub £50 million

	Closing price 31/8/10	Closing price 30/9/10	Change in share price
ENV.RCYC.TECHNOLOGIES	1.6	2.9	81%
BEZANT RESOURCES	17.5	27.5	57%
STARVEST	5	7.75	55%
CORAC GROUP	22	29.25	33%
NORTHAMBER	39.5	52.5	33%
ANGLE	20.75	19.25	-7%
AEA TECHNOLOGY	18.5	17	-8%
UNIQ	10	9.13	-9%
MICHELMERSH BRICK HDG.	34	30	-12%
TRIAD GROUP	22.5	19	-16%

People in focus

boyes turner

EMPLOYMENT LAW UPDATES FROM BOYES TURNER

Costly gossip

Cissie Braithwaite and Ada Shufflebotham (Les Dawson and Roy Barraclough) are probably Britain's best known gossips

To be fair we probably all like a good gossip, generally at someone else's expense. The dangers of office gossip and not dealing with it appropriately were highlighted in a recent Employment Appeal Tribunal (EAT) case – Nixon v Ross Coates.

It revolved around the events following the office Christmas party. Ms Nixon was in a relationship with Mr Coates. The firm had booked rooms for those staying over and an after party soiree was held in Mr Coates' room. Sadly he missed most of it as he was asleep on the bed. If he had been awake he would have seen Ms Nixon leaving with the IT manager who then booked a room for them both. The tragedy was that she was already in the very early stages of pregnancy by Mr Coates.

Ms Nixon was due to return to work after Christmas but as a result of a pregnancy related illness she returned at the end of January. She then told Mr Coates she was pregnant and within an hour the HR manager knew and had commented publically on the parentage of the child. Ms Nixon found this intolerable and spoke to a senior partner about working from another site, making it clear that she was not prepared to work in the same office as the HR manager. The senior partner made it clear that she must return to her role. She refused and was not paid.

Matters descended from there and eventually Ms Nixon resigned alleging that she had been constructively dismissed and subjected to sex/pregnancy related discrimination.

The EAT concluded that Ms Nixon had been constructively dismissed and that the employer had broken the implied term of trust and confidence in the manner it had dealt with the grievance, particularly when forcing her to work in direct contact with a person against whom she had raised a grievance. It also upheld the discrimination claims finding that the spreading of gossip on account of her pregnancy constituted pregnancy-related discrimination.

Practice points for employers

The points that an employer should draw from this case are:

1. Grievances should be dealt with promptly.

2. Whilst they are being dealt with it might be appropriate to institute alternate working arrangements if these are requested and available.

3. Allowing employees to spread gossip about others can become acts of discrimination.

4. In the light of the recent Equality Act employers should ensure that they have updated their policies and consider ongoing training on equality issues to help avoid what might become a costly experience.

After all, careless gossip costs money!

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Region's top tourism businesses win gold

Nicholas Owen presents award to Karen Smith, PR manager, Ascot Racecourse and Vicky Glenister, marketing manager, Ascot Racecourse

Berkshire, Buckinghamshire and Oxfordshire's top tourism businesses have been awarded the region's highest accolade at the Beautiful South's Awards for Excellence held last month at Mercedes-Benz World. Golden winners included Royal Ascot (Tourist Event of the Year) and The Bay Tree in Burford (Small Hotel/ Townhouse of the Year).

The annual awards, organised by Tourism South East, are now in their 20th year and recognise exceptional levels of customer service and dedication to raising standards in the tourism industry. A record number of entries to the prestigious awards led to an impressive shortlist with winners announced by guest host Nicholas Owen and Tourism South East chairman John Williams. Finalists from across the region were guests at the celebratory evening that also saw The Chestnuts in Shilton carry off the Sustainable Tourism Award and Hope House Bed & Breakfast take Bed & Breakfast/Guest Accommodation of the Year.

"We offer our congratulations to all tonight's winners," said Mike Bedingfield, chief executive of Tourism South East. "Our industry's commitment to providing the best possible customer service and to exceeding customer expectations is outstanding."

"The current economic climate continues to present many challenges for the tourism industry, however, the standards achieved by our award winners this year show their determination to deliver the highest level of customer satisfaction," added Bedingfield.

Innovative new award categories this year were Destination Marketing (VisitBrighton), Digital Marketing (Howletts & Port Lympne Wild Animal Park & The Aspinall Foundation) and Outstanding Contribution to Tourism (Lord Montagu of Beaulieu).

Oxfordshire accountancy practices merge

Whitley Stimpson LLP of Banbury and Hale Partnership of High Wycombe have merged their accountancy practices with effect from last month.

The newly merged firm will operate under the banner of Whitley Stimpson LLP. The merger will offer clients a greater depth of service in Oxfordshire and Buckinghamshire allowing each of the merged practices to grow their area of expertise in new geographical areas.

Malcolm Higgs of Whitley Stimpson commented: "We are extremely pleased to be merging with Hale Partnership as they are a firm which has a similarly successful and experienced background. It is a really positive move for Whitley Stimpson.

"There is a good fit between the two firms and it allows us to strengthen and broaden our range of services. Our clients will also benefit from the greater breadth of experience of the combined firms."

Jonathan Walton, director of Hale Partnership, was also delighted by the merger. ''For some time, we have been looking for an opportunity to expand our platform of excellence for our clients and staff and we are delighted to join a firm that shares our values.

"The feedback we receive from clients is that a personal service is very important to them and that was key to us going forward. We can become part of a bigger organisation with a strong tradition and reputation, while continuing to look after our portfolio from our existing office in High Wycombe. This is good news for all our clients and staff and will no doubt lead to further growth."

Details:
www.whitleystimpson.co.uk.

Entrepreneurship celebrated

An array of inspiring, free enterprise opportunities will be on offer at Bucks New University during this year's Enterprise Festival, due to take place from November 8-19.

With presentations from leading business professionals, practical workshops and enterprise competitions, the Enterprise Festival aims to educate and inform would-be entrepreneurs and business people working within organisations from across the region.

Taking place over two weeks and coinciding with Global Entrepreneurship Week 2010 (November 15-21), the events and activities at Bucks are all free to attend and will provide a range of commercial opportunities and networking forums.

Enterprise Festival organiser Jane Adams says: "We are pleased that this year's programme once again introduces inspirational speakers who have either established their own business or hold high-profile positions within large organisations. All the events are free, and we hope that as many people as possible will benefit from our speakers' experiences and be able to use the knowledge they impart in their own careers and businesses."

Here are some of the highlights to watch out for:

Special guest Yasmina Siadatan, winner of the BBC's blockbuster show *The Apprentice 2009*, will visit Bucks on November 16 to treat the audience to tales of boardroom battles and the experience of working with Lord Alan Sugar.

On November 9, Paul Lindley, who founded Ella's Kitchen with the belief that healthy food can be fun, tasty and cool, will speak about the company's journey to getting its goodies stocked by major retail brands against stiff competition in the healthy-eating sector.

Ben Beattie, the "head of boys' toys" for the Disney Store, will give an inspiring talk on November 10 about his experiences in creating best-selling products for global retail.

There will be other sessions on subjects such as: business in the new economic climate; PR, marketing and media in the digital age; protecting Intellectual Property (IP); running a sport business; and the annual women in business event.

Once again Bucks New University students will rise to The Apprentice Challenge, undertaking a series of team challenges testing their business planning, marketing, time management, pitching, negotiation and selling skills. The aim is to make the biggest profit over three business challenges.

Tickets for the Enterprise Festival events are FREE and should be booked online (see below) where the full programme is also available.

Details:
Bookings: www.bucks.ac.uk/enterprise
Email: open@bucks.ac.uk

bucks new university

Slough Trading Estate waltzes to 90 year anniversary

Slough Trading Estate, the largest business estate of its kind in Europe, has celebrated its 90th birthday. Strictly star and political correspondent John Sergeant joined businesses from the Estate in commemorating its success.

The Estate began life in 1920 when a consortium of businessmen, led by Sir Percival Perry and Noel Mobbs negotiated a sale price of £7 million for the land and stock (made up of lorries, cars and motorcycles in various stages of disrepair) and The Slough Trading Company latterly Slough Trading Estate was born.

A range of businesses quickly began to fill the work space at the Estate, with companies including Mars, Black & Decker and Ragus still operating from the Trading Estate today. Mars made their first Mars bar at the Estate in 1932 and continues to produce three million chocolate bars a day.

Today, the Estate is equivalent in size to almost 326 football pitches and is home to over 400 businesses employing over 14,500 staff with a combined GVA output of around £860m. A wide variety of businesses are located at the Estate, ranging from innovative SMEs operating out of the specifically designed Enterprise Quarter, to headquarter operations for leading companies such as O2, Research in Motion, UCB, Ipsen and LG among others.

John Sargeant joins the celebrations

Speaking about the celebrations, Ian Sutcliffe, UK managing director, SEGRO, commented: "We're delighted to be celebrating 90 years of the Slough Trading Estate. The Estate has continued to grow from strength to strength catering for the needs of a wide range of businesses. The fact that a number of companies who joined the Estate in the early days are still here with us is a real testament to our commitment to work proactively with our customers and deliver innovative business solutions.

"As well as being an economic engine for the Thames Valley, the Estate has always been a place for forward-thinking and serves as a microcosm of industry in the UK and how business trends have developed.

"We're dedicated to working with our partners to ensure the Estate continues to evolve to meet the needs of business in the future and look forward to celebrating our centenary in 2020."

Over its 90 years the Slough Trading Estate has enjoyed various claims to fame - did you know that:

- Gerry Anderson developed and filmed his world-famous Thunderbird TV series in a studio on the Estate's Ipswich Road.
- The Ford GT40 was developed at the Trading Estate. The high-performance sports car went on to win the 24 hours Le Mans four times in a row, from 1966 to 1969.
- During World War Two, the Estate was involved in manufacturing engines and parts for the Spitfire, Lancaster and Halifax aircraft.
- Aspro, an early day aspirin, was produced in Buckingham Avenue.
- Alloys manufactured on Yeovil Road were used in the yacht mast that helped Robin Knox Johnston and Peter Blake to smash the round-the-world record in 1994.

Law firms face tough competition

More than half of all law firms have either lost business to a non-lawyer competitor or expect to in the future, a new survey from Basingstoke accountants Baker Tilly has revealed

The survey, entitled the Legal Services Act Index, which was conducted as part of a major new report, Climate Change, on the impact of the Act and alternative business structures (ABSs), found that 29% of firms with 25 partners or fewer had already lost business to a non-lawyer competitor, compared to 12% of larger practices.

However, firms are generally responding cautiously to the threats of new competition. Only 9% of respondents said they would definitely consider having an outside investor – although 51% were open to the idea. Some 7% of firms were planning to incorporate so that they will have a 'currency' (ie shares), while a further 26% are considering it.

Lawyers at larger firms were much more confident that they have a good understanding of the requirements of external investors - 56% against 25% of those at firms of 25 partners or fewer.

Just 13% of respondents said they were actively pursuing the option of providing non-legal services via an appropriate non-lawyer partner, although 42% either have or plan to put a new structure in place to allow non-lawyer ownership, a trend more marked among larger firms.

At the same time, 45% of firms have changed their business plan or strategy due to the Legal Services Act, while a further 25% expect to do so. Almost half (49%) of respondents said the Act will have a positive effect on their business, while 18% said it will not.

Gary Heynes, south east professional practices partner at Baker Tilly, said that with the coalition government recently confirming its intention to push ahead with ABSs on October 6, 2011, no legal practice in the land could now afford to ignore the potential impact.

"The time has come for lawyers to face up to the future. The forces of competition are on the doorstep – and to some extent are already here – and law firms and barristers' chambers need to take strategic decisions on how they are going to respond," he said.

He continued: "Our report highlights the key issues facing the legal profession and some of the potential solutions. The one thing lawyers cannot afford to do is nothing."

Climate Change canvasses views from experts in the legal market and looks at the impact of the Legal Services Act on law firms of all sizes and barristers' chambers. It also investigates the growth of legal process outsourcing, the nexus with third-party litigation funding, the international reaction to ABSs, and the lessons that can be learned from Australia, where law firms have listed on the stock exchange.

The Legal Services Act Index will be updated regularly to track shifting attitudes towards the reforms. More than 100 solicitors and barristers responded to the first survey which was carried out in May to June 2010.

The Legal Services Act (2007) is an Act of Parliament that seeks to liberalise and regulate the market for legal services in England and Wales, to encourage more competition, produce more consumer focused legal firms and to provide a new route for consumer complaints.

Finalists announced

THAMES VALLEY BUSINESS MAGAZINE AWARDS 2010
www.businessawards.co.uk

The finalists for the Thames Valley Business Magazine Awards were announced by judges as we closed for press.

In alphabetical order, they are

The Thames Valley Business of the Year

Sponsored by pitmans

- *GCS Recruitment Specialists*
- *Kyocera Mita UK*
- *Leasedrive Velo Group*
- *Nominet*
- *RM plc*
- *Teneo*

SME of the Year

Sponsored by jamescowper

- *The Chemistry Group*
- *Cotswold Fayre*
- *Mediplus*
- *PharmaIntel*
- *Well Pregnancy Products*
- *Wilson Partners*

Dynamic Business Award

Sponsored by Deloitte.

- *CH&Co*
- *Ella's Kitchen*
- *Furniture Village*
- *Millgate Homes*
- *Prodrive*
- *Summerleaze*
- *Talaris*
- *Westcoast*

Management Team of the Year

Sponsored by RBS The Royal Bank of Scotland

- *CH&Co*
- *Leasedrive Velo Group*
- *RM plc*
- *SDL plc*
- *Sophos plc*
- *Westbury Street Holdings*

Best Company to Work For

Sponsored by Vail Williams

- *CH&Co*
- *Chiltern Woodland Burial Park*
- *Cove Industrial Enterprises*
- *GCS Recruitment Specialists*
- *Integralis*
- *Stoke Park*

The Thames Valley Export Award

Sponsored by UK Trade & Investment

- *Hansford Sensors*
- *Innoval Technology*
- *Mediplus*
- *Onelan*
- *Signet International*
- *Spice Application Systems*

The awards gala night takes place on November 18 and will be reported in full in the next issue of The Business Magazine

Oxfordshire exporter's revolutionary beverage measurement on tap

Smart monitoring technology from an Oxfordshire company is winning export orders from customers wanting the perfect drink in pubs and bars every time.

Measuring beverage temperature, quality and flow, and automatically logging the data to the web for access by pub, bar and restaurant owners and managers, Smartcellar products are already in demand in the UK.

Now, the company, based near Abingdon, has secured major deals in Dubai and Ireland, thanks to help from UK Trade & Investment (UKTI) South East – and one of the world's leading soft drinks brands, Pepsi, is currently trialling the technology in Paris.

The Dubai deal is with Sirocco – a joint venture between the Emirates Group and Heineken International – which manages the sales and marketing of a range of premium global beverages in the Middle East. With a market share of 60% in Dubai, Sirocco is the leading operator in the UAE, as well as in Oman, Bahrain and Qatar.

After a successful trial of smartbuoy – Smartcellar's intelligent flow meter – in two large Dubai bars, the product is expected to be rolled out in hundreds more. The second new deal is for a trial by Heineken in bars in Cork, one of the most popular city-break destinations in Ireland.

Smartcellar founders Mike Lawton, who has a background in electronics, and Jolyon Tidmarsh, an award-winning physicist, designed smartbuoy to measure the temperature and quality of every drink, wherever in the world it is dispensed.

Lawton said: "When I was at university, I worked part-time in a bar, and was intrigued to see the huge operational inefficiencies and wastage when serving beer. Brewers and operators know it's vital that their products are served at the correct temperature, from clean beer lines and poured at the right speed for the complex mix of flavours to be fully appreciated. Pubs rely on repeat business, and consumers rightly expect a high-quality drink every time. Get that wrong and you won't see that customer again.

"Smartcellar ensures that brewers and bars can provide consistently good drinks exactly as the brand owners expect. Our system helps safeguard quality, increase sales and reduce wasted beer – potentially saving a significant amount at every bar, while optimising the chance of that all-important repeat sale.

"Our intelligent flow sensor, the smartbuoy, also indicates the level of biofilm growth in a beverage line. This is somewhat of a 'holy grail' for the drinks dispensing industry, as knowing the level of bug growth gives an excellent indication of product quality. Currently, in the absence of actually knowing what's going on in each dispense line, the industry is forced to clean lines frequently – but this is expensive, time consuming, and often unnecessary. We might just have found a way of allowing dispense lines to be cleaned at the optimum frequency, to the benefit of both consumer and retailer.

"By cross-checking what's been dispensed with what's been rung into the till, we can also stop till-related fraud. In a couple of trials we've lifted monthly till take by £500 with this feature of the system alone."

So how does this ingenious device work?

Whenever flow is detected in the drink dispensing line, the time is logged and key information associated with product quality, such as temperature, flow rate and beer-line biofilm levels, is captured. The flow sensor can also accurately differentiate between beer, water and line cleaner – and even detect when an alternative brand is in use.

Information is uploaded to Smartcellar's server via the mobile phone network. The company's complex data-processing routines produce simple-to-understand, web-based reports for customers anywhere in the world. Smartcellar also monitors cellar temperature and cooler efficiency performance – critical to optimising product quality and ensuring the lowest possible energy consumption.

Smartcellar web portals provide information in a clear, graphical way. Owners and operators can go online and review equipment performance in real time. They can also monitor when and how much their pubs are selling, offering a safeguard against the buying in of cheaper beer from unauthorised wholesalers and not the legally contracted brewer. This practice is estimated to cost the UK pub industry £1.2 billion in lost revenue each year.

Smartcellar joined UKTI's Passport to Export (P2E) scheme of tailored support for inexperienced exporters in 2005, securing funding and advice that enabled them to attend appropriate events and meet relevant industry contacts overseas.

The company has now graduated to Gateway to Global Growth, UKTI's programme for more experienced exporters, continuing to work with international trade adviser Peter Warren. He said: "Smartcellar products are transforming the way the on-trade operates. By bringing monitoring and efficiency practices employed in other areas of retail to the on-trade, significant bottom-line improvements are realised. Since Smartcellar successfully completed P2E, it has used its skills and confidence to compete very successfully in the international marketplace."

Lawton added: "Working with UKTI South East has been instrumental in our securing several major international deals. Funding we received enabled us to participate in market visits and overseas events, meet prospective clients, and make sales trips that resulted in significant amounts of business. Interestingly, three of our overseas clients say that because we met them face to face, rather than conducting business via email and phone, they felt more comfortable negotiating a contract with us. This initial personal contact has been a winning formula."

The company will be exhibiting at one of the key European beverage industry shows, Brau Bevial, in Germany, from November 10-12.

Details: www.smartcellarworld.com

Thirty years on: Reading still the place to be

PwC set up its first Reading practice based at Blagrave Street with a small team of accountants in 1981. Thirty years on, it is the largest professional services firm in the Thames Valley and has helped many companies plan through two recessions. Miles Saunders (right), senior partner of the Reading practice discusses why the town is in a good position to make the most of the upturn and how PwC is making sure it can support businesses through it

Reading - a great place to do business

Before the recession, the Thames Valley region was predicted to be one of the fastest growing regions over the next five years. Reading had one of the highest employment rates and average earnings in the UK, with a highly-skilled workforce, many of which worked in knowledge-based sectors such as technology, bio-tech, pharmaceuticals and life sciences.

While there is no doubt that everywhere has been hit hard, Reading has fared better than other regions. As the economy recovers, the private sector will be a key driver in economic growth and the town has a number of factors to attract private sector companies.

Reading's high-skilled workforce is likely to not only attract employers but also entrepreneurship. When businesses de-layer during a recession, it's not uncommon to see individuals set up their own business, especially in the technology space, and because of the high skill levels involved in these sectors, they tend to grow very quickly.

The close proximity to London and Heathrow also makes Reading an attractive option, especially with the recent investments in improving transport links, such as the £850 million redevelopment of Reading Station and ongoing transformation of M4 junction 11.

The road to recovery

A mood of cautious optimism is returning to the local economy and there are signs that we are, at last, at a turning point.

The latest PwC analysis into corporate insolvency numbers were an indication that the effect of the downturn on UK business is showing signs of easing with a significant 21% decrease in corporate insolvencies on the previous quarter.

There has also been a noticeable loosening of access to capital in this region, albeit at a price, and on the debt restructuring front, payment defaults and new formal restructuring discussions are substantially lower than a year ago, which perhaps indicates we are through the worst of the restructuring cycle.

However, the view that this growth is very fragile and the potential that a double dip may occur is still in the minds of many businesses, and as we have seen from previous recessions, the turning point can be just as risky as the depths of recession.

Although we are seeing a fall in the number of administrations, this is mainly because businesses are able to use other options before insolvency, which is considered as a last resort. Financial restructuring, company voluntary arrangements and schemes of arrangement are being used instead and businesses are starting to realise that the sooner problems are identified, the quicker a solution can be found. Our Business Recovery Services team are also seeing many restructurings either not involving insolvency or using light touch insolvency techniques to salvage viable businesses.

Our latest Debt Market Update showed that UK corporate lending was still relatively quiet in Q2. The euro-zone debt crisis and renewed economic doubts restricted the supply in the debt capital markets and also dampened the demand for new lending.

The public sector remains a major challenge for the economy, which has actually been a source of growth for some regions during the recession. According to our latest regional trends survey, 50% of the UK regions included in the report cited the public sector as having been a key sector in driving growth at the beginning of this year.

Fortunately, the percentage of public sector businesses in Reading is relatively low, which makes the town less vulnerable to spending cuts than many other cities, however the impact on public sector providers and local businesses alike is still likely to be significant.

Investing in the local market

At PwC, we work with a wide range of organisations from FTSE to privately owned companies, and we have continued to invest in key areas of our practice during the recession, particularly in the services where our clients have needed the most help.

Over the past 12 months, the Reading practice has expanded the human resource services, business recovery services, public sector and private business teams to ensure that we have enough people in place to assist our clients.

People are fundamental to us and without the right people we can't provide the right level of service, especially when our clients need it most. We have learnt from previous recessions and done all that we can to keep our people in work and retain talented individuals during the recession.

We are very focused about how we do this using training, motivation and reward, and we consider our title as the top graduate employer and rank within the top five of the best companies to work for, as a fantastic achievement. The graduate recruitment programme has been maintained at similar levels as previous years, and the motivation and commitment levels of staff at our Reading practice ranks among some of the highest across the entire firm.

Outlook

Whilst we are statistically coming out of recession, the economy is still fragile and we should not take recovery for granted. We have significantly invested in our Reading practice so that we can offer the support that businesses need, whatever the economy might be doing.

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Leumi ABL: supporting entrepreneurs

With many businesses now seeking reliable and flexible forms of funding, Leumi ABL is taking a consistent approach to assisting growth across a wide range of sectors, from traditional manufacturing businesses, to new media and electronics companies

Recognising the importance of having a presence in Reading at the heart of the Thames Valley dealmaking community, Leumi ABL has recently set up an office at Davidson House in Forbury Square.

With cautious optimism seeping into the Thames Valley market, deal activity is becoming more buoyant, according to Jonathan Hughes, Leumi ABL regional sales director covering Thames Valley and the south: "Good businesses are seizing growth opportunities now rather than continuing to play the waiting game. One thing is certain – businesses looking to grow in this climate need access to increased working capital from a provider they can trust. Leumi ABL is well placed to meet the additional working capital requirements of well-managed businesses throughout the region and we provide funding lines from £1 million to £25m. There has never been a more important time to have the right funding package in place, creating that all important headroom in the business plan."

Both advisers and clients are seeing that Leumi ABL can assist by making the existing assets in the business work harder. Leumi ABL's full asset-based lending capability, including invoice finance, stock facilities and plant & machinery finance, combined with trade facilities and property finance via Bank Leumi (UK) plc, means that available funding can be maximised. From straightforward invoice finance to complex multi-facility deals, Leumi ABL takes time to understand the individual needs of clients and has built a strong reputation amongst clients and introducers for a flexible and personal approach.

Jonathan Hughes

Whether finance is required to support market expansion, organic growth, completing an acquisition, restructuring operations or following a successful turnaround – whatever the business scenario Leumi ABL works closely with the management team from day one to ensure the deal is structured in a way that will deliver the funding levels and flexibility needed.

Hughes is picking up positive signs: "In Reading the mood among business leaders and advisers is improving greatly. It's encouraging to see that recruitment levels are up and I believe growth is very much on the agenda. Leumi ABL is very keen to support regional entrepreneurs and I would be pleased to discuss any opportunities."

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leumi ABL
Getting On With Your Business

Barclays Corporate – the power to help you succeed

Having made a 'significant' investment in attracting talented new staff, the team at Barclays Corporate Thames Valley and Oxford is going from strength to strength

Andy Simpson, head of Thames Valley & Oxford region

With greater expertise across key sectors such as technology, telecommunications and property, Andy Simpson, head of region, believes the bank is now well placed to take advantage of what remains a challenging market.

"We are hugely aware of our responsibilities in terms of helping lead the economy out of recession," he said. "Reading, along with the Thames Valley in general, is as well placed as any regional economy. In order to drive this recovery forward, trust has to be rebuilt. We will continue to lend to viable businesses, whether they are new or existing clients, to help them achieve their goals – quite simply credit worthy applications will continue to be answered with a yes."

The past year has seen Barclays Corporate expand its team of relationship directors in the Thames Valley and Oxford by 20%. In addition, a streamlining of customer portfolios has freed the teams up to spend more time with their clients.

"We've ensured that not only do we have more relationship directors, but we've given them more time to spend with clients," added Simpson. "It has proved very successful because it gives them an opportunity to further their in-depth knowledge of their clients' businesses, the markets they inhabit, the business models they adopt and the strategic direction they have set a path towards.

"Practical evidence of that success is the fact that our loan application approvals are running at around 85%, thanks in no small part to the advice and support our relationship directors can provide."

The commitment to understanding its customers is emphasised by Barclays Corporate's new strapline "The Power to help you to succeed".

He believes the ability to team the strengths of Barclays Corporate with those of his colleagues at Barclays Capital and Barclays Wealth makes an unbeatable combination, enabling the bank to "match our customers' ambitions with our own ambitions".

"We want to be an intrinsic part of our customers' success and we are proactively setting out to leverage all our strengths and improve their bottom line," he added.

"We have a terrific mix of experience and capabilities, which makes us very strong and enables us to make a real difference for our customers."

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BARCLAYS CORPORATE

Boyes Turner welcomes one of Thames Valley's most influential business leaders

Boyes Turner has announced that Ian Smith, formerly the senior partner at PwC's Reading office, will be working with the firm in an advisory capacity, as of October 2010.

Following his retirement in June this year from a 30-year career at the accountancy giant, Smith will divide his time three ways: pursuing personal hobbies and ambitions; working with a number of not-for-profit organisations; and working with two or three local businesses to give them the benefit of his considerable business experience.

Commenting on the announcement, Boyes Turner's CEO Andrew Chalkley said: "This is an invaluable and unique opportunity for Boyes Turner. Ian is very much at the centre of the business community in the Thames Valley and is widely known and respected. We are delighted and flattered that Ian has chosen to work with us as a mentor and adviser. To have on board someone of his calibre, and benefit from his extensive network and considerable business experience will undoubtedly help the next phase of our strategic development."

Smith is a well known figure in the Thames Valley business community. He was instrumental in setting up PwC's office in Greyfriars Road in 1981 and went on to become their youngest partner at the age of 30. During his career, he has presided over some of the most important business deals in the Thames Valley and has held the role of senior partner of the Reading office for the past 12 years. He is also group president of the Thames Valley Chamber of Commerce.

Smith said: "I am a long standing supporter of Boyes Turner... I am looking forward to working with them as part of the team, acting as a sounding board and contributing to the next stage of their development."

Reading-based cloud hosting company joins 'fastest-growing' list

DediPower Managed Hosting is officially ranked as one of the UK's top 50 fastest-growing private tech companies and the highest-ranked hosting company.

The Sunday Times Microsoft Tech Track 100 lists DediPower at number 41, rubbing shoulders with PKR, LoveFilm.com, The Hut Group, Bet365 and other leading brand names.

CEO Craig Martin commented: "The company is going from accolade to accolade and our position in the Sunday Times Tech Track is testament to sales growth of 58% a year.

"DediPower has risen to be one of the top cloud computing and managed hosting providers in the UK, and it is estimated that British firms will double spending on cloud services to £1.2 billion by 2012.

"DediPower's global expansion in Hong Kong and the USA also keeps us among the top managed hosting companies in the world.

"Customers such as Sony, Virgin, TweetMeme, ITV, The BRIT Awards and the Lovemoney.com all value our 'Passion for Service', technical superiority, world-class security and dedication to excellence. I am very proud of the whole DediPower team and this is a further endorsement of their unstinting commitment."

The Sunday Times Microsoft Tech Track 100 is a league table of the UK's fastest-growing private technology companies, based on sales growth over the past three years.

Details:
www.dedipower.com

Is your brand safe in cyberspace?

If you look at the internet you might well think that it is a rights-free zone where intellectual property law does not apply. The truth of the matter is that rights owners and the courts are struggling to keep up with the pace of technology, writes Sarah Hadland, intellectual property partner at Boyes Turner

Sarah Hadland

On-line auction sites in particular are full of counterfeit branded goods that are peddled as authentic to unsuspecting buyers, and a bargain to others. Social media and file sharing has had a similar effect on the music and publishing industries and as a result rights holders continue to find themselves losing out on millions of pounds of revenue.

Over the past few years, rights holders have tried to tame the internet and enforce their rights. The most high-profile cases have been those where individuals, including children, have been pursued by record companies for copyright infringement for downloading songs without permission. Only recently, a group called Operation Payback which believes that ideas, and the music and literature which results from them, should be freely available, hacked the website of ACS:Law (which handles a high volume of piracy cases), leaking the personal data of thousands of ISP customers.

Other high-profile, although less controversial, actions by brand owners have involved eBay and Google, in particular Google AdWords.

eBay - a vehicle for selling fake goods?

In May 2009, litigation between eBay and L'Oreal concerning the sale of fake L'Oreal perfumes on eBay resulted in a ruling that eBay is simply the host of the site and not liable for any infringing goods sold on it. Further, the Court held that eBay already takes adequate steps to help prevent the sale of infringing or counterfeit goods. For example, brand owners can sign up to its VeRo programme which helps those wishing to prevent the advertisement on eBay of goods that infringe their rights, and track down those responsible. Having lost a similar case in France against LVMH, this ruling was important for eBay.

key words and adwords - a growing problem for brand owners

The other issue which was dealt with in the L'Oreal case was the use of keywords by eBay. EBay purchases keywords consisting of various trade marks on search engines such as Google and Yahoo. It selects the keywords on the basis of the activity on its site and their purpose is to cause a sponsored link to eBay to be displayed when a user types in the keyword. One of the keywords referred to in the case, for example, was "Shu Uemura". L'Oreal claimed that eBay's use of its trade marks as keywords infringed those trade marks.

The UK Court considered that a Europe-wide approach should be taken to the use of keywords and therefore referred the matter to the European Court of Justice (now the Court of Justice of the European Union - CJEU). The ECJ has not yet made a ruling but in light of recent rulings, it is likely that the court will conclude that the mere use of trade marks as keywords does not infringe.

Google AdWords is Google's main income generator. Google "sells" keywords to companies so that when a user types those words into the search engine, the company's advert is listed as a sponsored link to the right of the search results page. Advertisers often use the brand names of their better known competitors in their keywords. This enables their website advertisement to appear in the list of sponsored links, preferably at the top of the list. The brand owner's website may appear lower down the list or only in the general search results.

So, what does constitute an infringement?

Trade mark proprietors complain that such use of their trade marks constitutes infringement. This was claimed by Louis Vuitton in the case it brought against Google for allowing advertisers to purchase LV's trade marks, such as Dior, for use as adwords. The litigation resulted in a referral to the ECJ which made a ruling earlier this year. The court ruled that by merely allowing advertisers to purchase keywords corresponding to a third party's registered trade marks, Google was not infringing those trade marks. However, infringement may occur where the consumer is unable to distinguish the advertiser's goods from those of the brand owner.

A similar claim was brought against an advertiser by Porta Kabin. It complained that a company called Prima Kabin BV was using the trade mark PORTAKABIN and various mis-spellings of it, as key words, and that this infringed its trade mark rights. Again, the matter was referred to the ECJ which handed down its ruling in July of this year, upholding the Louis Vuitton v Google ruling.

What does this mean for brand owners?

As a result of the ECJ's decision in the Louis Vuitton case, Google has changed its policy. Originally, when the search engine received a complaint from a brand owner that its trade mark was being used as an adword, it would stop the use by the third party. Now, it essentially ignores complaints about the purchase by third parties, in Europe, of trade marks as adwords unless it is alleged that that the sponsored link which appears as a result of the use of the trade mark as a keyword makes it difficult for the internet user to easily distinguish the advertiser's services or goods from those of the trade mark proprietor. In these cases Google will investigate the complaint and if upheld, will remove the advert.

With the recent cases against eBay and Google, the way in which intellectual property law applies to the internet is becoming clearer. In some areas, such as the use of adwords, the ECJ rulings favour the internet host rather than the brand owner. In others, such as the illegal downloading of music, the application of the law favours the rights owner. The difficulty here is in tracking the illegal users. No doubt there will be an increasing amount of litigation as the internet, which is already an important platform for trade, continues to develop.

For further information and advice on protecting your brand and other intellectual property, contact Sarah Hadland - see below:

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Blandy & Blandy advises on share sale deal

Thames Valley law firm, Blandy & Blandy LLP has advised Launch Diagnostics on the sale of its 49% shareholding in Biokit to Instrument Laboratory (UK), for an undisclosed consideration

David Few, head of Corporate and Commercial

Launch Diagnostics is a leading supplier of diagnostic reagents and equipment to the health services of the United Kingdom and various other European countries. Biokit is a supplier of a wide range of infectious diseases test equipment and molecular diagnostics products in the United Kingdom.

Blandy & Blandy advised existing client Launch Diagnostics on the corporate and commercial contracts and employment aspects of the sale of its 49% shareholding in Biokit to Instrumentation Laboratory (UK), a wholly owned subsidiary of the Werfen Group - a manufacturer and distributer of 'in vitro' medical diagnostic solutions, medical devices, and scientific instruments worldwide. Fried, Frank, Harris, Shriver & Jacobson advised Instrument Laboratory (UK).

The Blandy & Blandy team was led by partner and head of the corporate team David Few who was responsible for overseeing both the sale and acquisition. Few was assisted by corporate associate Peter Woolley, with partner and head of employment Sue Dowling and associate Sukhpal Matharoo advising on the employment aspects, partner Debbie Brett advising on commercial contracts and associate Katja Wigham advising on property issues.

Few commented: "We are very pleased to have advised Launch Diagnostics on this interesting deal, which required bringing together the skills a number of different legal areas to ensure the client received the best advice at all stages of the transaction."

John Twycross, managing director of Launch Diagnostics, said: "'I am very pleased with the commercial guidance advice and work we received from the team at Blandy & Blandy in relation to the sale of our shares in Biokit. David Few and the team provided first-class advice, making the whole process a lot easier."

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BLANDY & BLANDY
solicitors

Darbys Solicitors acquires debt recovery business

Darbys Solicitors of Oxford has acquired commercial debt recovery gurus Graham Bridgman & Co, Solicitors.

Specialising in receivables collection for a wide range of businesses, Graham Bridgman & Co was set up and grown by Graham Bridgman, a Fellow of the Institute of Credit Management, who has spent his career in helping companies recover money that is owed to them.

He and Darbys have come together because he needs the wider resources that the firm has, and it sees effective debt recovery as a key way to add value to the services it provides to business clients.

Graham Bridgman said of this union: "I have many commercial clients but the work they generated kept me behind a desk, and they sometimes had work that I don't specialise in. Keeping my clients happy was crucial in this decision and teaming up with Darbys means that I know that my clients will be taken care of while I get the chance to get out and grow the business. With Darbys'

Graham Bridgman

13 specialist teams we have all the expertise and back-up my clients could need – they have all followed me and with our pooled resources they will get even better support than before."

Simon McCrum, managing partner of Darbys Solicitors, said: "We have been steadily building our debt recovery team and developing our INTHEBLACK service for commercial clients. However, we believe that if we are going to do something, we want to do it properly, and debt recovery lawyers don't come better than Graham. His joining us is a quantum leap and we are delighted that he and his clients have joined us. Our aim is to become a leading debt recovery firm in the south east, and this takes us a long way down that road."

Darbys is one of Oxford's largest law firms specialising in 13 specialist areas of law ranging from planning, property, family, employment, trusts, tax and probate, clinical negligence, personal injury and now debt recovery.

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Mortgage log-jam could stifle the market

Recently, The Business Magazine and Pitmans gathered a group of local experts to consider the property investment market. Below John Burbedge reproduces selected observations from the roundtable discussion

The Roundtable message came loud and clear: Mortgages need to be made more readily available, particularly for first-time-buyers (FTBs), to get the residential market moving, and with it the property sector in general.

The lack of lending was risking a 'stifling' of the market, claimed developer **Mark Clayton**. "There is a danger that people just won't move – and therefore the estate agents will not be paid, the lawyers will not be paid, the removal men will not be paid, the home furnishers on the high street will not be paid ... and even the Government will not receive stamp duty (SDLT) or VAT on any other associated service, damaging the public purse. People will stop spending on certain items and there will be casualties in the market place."

In addition to higher deposits being required within costly mortgage funding and legal and moving costs, a stamp duty increase in April 2011 was adding to the financial difficulties of buying a home. For many, without the Bank of Mum & Dad, it would be virtually impossible to move.

Mark Stuckey revealed: "The age of the average FTB without a deposit is 37."

Anthony Henry-Lyons agreed: "The log-jam in UK property, and devolving from that incidental commercial and retail development, is not being able to get mortgages.

"The market is all about the circle. First-time buyers get on it, then they upgrade and they move on, and on again and the circle keeps moving on. But if you can't get on the circle..."

With irony, he noted that FSA chairman Lord Turner is recommending greater mortgage and credit controls. "How will we get mortgages to work?"

Philip Davies called for mortgage indemnity so that FTBs can borrow 80-90%. "If we can get the institutions to provide some insurance, and the Government stands behind it, then we might move the FTB market."

Currently, the main residential market was probably £250,000 up to a £1m, said **Davies**. Buy-to-Let acquisitions had priced out FTBs pre-recession, and now they are priced out by the need for larger deposits and difficult mortgage terms.

Another problem will be shortage of HCA money for affordable housing. "We haven't got people walking on the streets yet through lack of housing but you can see within 5-10 years that there could be a shambles. Someone needs to take the initiative," **Davies** added.

From left: John Burbedge, Anthony Henry-Lyons, Jim Meechan, Rory Carson, Nick Coote, Philip Davies, Mark Clayton, David Murray, Mark Stuckey

Banking overview: 'We do want to lend, but....

"Most banks, and that includes Barclays, do want to lend money, and we certainly have the capacity to as one of Europe's best capitalized banks, despite the negativity that there may appear to be in certain sectors of the market," said **Stuckey** of Barclays Corporate.

Continued overleaf...

Glossary

Basel III – is the latest stage in the continuing G20 response to the international financial crisis. The G20 supported Basel Committee on Banking Supervision, is requiring banks to make very major improvements in their capital and liquidity. In September the BCBS proposed that banks must hold minimum common Tier 1 equity capital of 4.5% by January 2015, and a further 2.5% as a counter-cyclical buffer.

NAMA – the National Asset Management Agency – is a key part of the Irish government's solution to current banking difficulties. With its €80 billion NAMA aims to acquire around 15,000 good and bad property loans from the riskiest portfolios of Irish banks, thus allowing them lend more confidently into the main national economy. NAMA is a workout not liquidation vehicle. Property lending will continue where viable, but borrower default is likely to see NAMA place assets on the open market.

Participants

Rory Carson:
Asset manager, south of England
PRUPIM

Mark Clayton:
CEO
Chelsminster Group, residential developers

Nick Coote:
Head of Thames Valley operations
Lambert Smith Hampton

Philip Davies:
Founder of Linden Homes
Chairman of Ashill Developments

Anthony Henry-Lyons:
Commercial developer
Madford Developments

Jim Meechan:
Banking and finance specialist, Thames Valley
Pitmans

Mark Stuckey:
Head of southern region property team
Barclays Bank

David Murray:
Managing editor and publisher of *The Business Magazine* chaired the discussion.

continued from previous page...

"However, we do have to make lending decisions in a very different risk environment than pre-recession, with pricing directly impacted by the cost to the banks of seeking funding in the wholesale market.

There are also demand issues, with a real reluctance from many businesses and households to take on more debt, with many of our commercial clients actively paying down debt."

Anthony Henry-Jones

"Even when we are approached with refinancing requests it's often not a straightforward transaction procedure. Funding is available, but because of changing risk profiles, it could be on very different terms from 2-3 years ago."

Banks considering loans to property developers would now look at a range of variables:

- the strength and quality of a management team
- type and location of asset
- quality of underlying income stream
- development opportunities, especially high-quality housing
- level of return on capital
- the opportunity to reduce and spread any risk.

"All those things will drive debt quantum, availability of funds, tenure of facilities and the price."

Banks will focus on developing client relationships, said **Stuckey**– for Barclays multi-transactional relationships. "It won't be a case of John Smith coming to us to buy money off the shelf, and we lend it, and don't talk to him again. It will be about growing a relationship and extending our ancillary sales, that's with existing and new-to-bank clients."

David Murray queried whether credit availability would be higher in 2011.

"Barclays willingness and flexibility around the assets we have looked to fund this year is stronger than last year, and I think it will remain constant going into next year, but that may not be the view of other banks," said **Stuckey**.

Cost of debt

Henry-Lyons: The fundamental problem is not the willingness of people to lend money, it is the pricing of it for the borrower. It's the cost of debt and the increased equity requirement. We all know the 120% loan-to-value scenario did occur, but nowadays the average lending criteria is 50-60% and they need to see the colour of your money before they'll go to credit committee."

Henry-Lyons said despite competition between individual UK banks, their terms were still not competitive. He exampled a Canary Wharf deal where a German bank was offering "substantially cheaper money".

Davies said banking aversion to high gearing also made quick deals difficult, further stagnating the market. "Going forward we have a need for some form of mezzanine financing."

Rory Carson explained that PRUPIM's access to funds was proving advantageous. "On some recent deals, we have found that tenants have been prepared to accept long-term leases because we can release capital to them from Day One."

The impacts of Basel III and NAMA

Jim Meechan warned that the "fairly gloomy outlook" might get worse before it got better. Basel III's "significant impact" on Tier I capital ratios would effectively reduce banks' lending abilities.

Quoting Bank of England statistics, **Meechan** revealed that 2010 Q2 real estate lending contracted at its fastest rate since 1998.

Henry-Lyons: "In fairness, the banks concern is getting their money back. To a degree the banks have 'played the game' and instead of foreclosing on a facility they have tried to work with the borrower. But there is a point of no return arriving very soon."

Property-laden banks, regretting not having sold during "the four months bubble last year when the investment market perked up", would be less accommodating this time round.

Nick Coote pointed out that several investment deals had failed during 'the bubble' because banks were loathe to lose large fixed money debt redemptions linked to properties. Hedge fund involvement had also not helped dealmaking.

Henry-Lyons: "The biggest pressure coming on banks is Basel III but I think the problem will be compounded by NAMA whereby a huge weight of property is going to hit the market and we haven't got a lot of purchasers out there at the moment."

While NAMA property offloading would provide bargain-purchasing opportunities, it would also depress valuation rates, and pressurise existing loan facilities. "That will all have an impact on us being able to do any business."

Meechan wondered about future funding availability for property investors and developers. "How closely are the regulators talking to banks about the level of Tier 1 capital they need to retain? How will that translate to lending activity going forward? As far as I see the G60 (Basel III) is proposing a far stricter regime, which can't be good news."

Clayton welcomed international parity over banking regulation, but also called for a level playing field for UK funders in terms of tax incentives given to foreign investors.

Jim Meechan

Davies said another reason for the banking sector's frugality with mortgage loans was its commitment next year to start paying back "their huge amounts of wholesale debt refinanced by the bank of England."

Meechan agreed that banks were trying to reduce their exposure, and a significant number of tenures were coming up for reconsideration. While praising banks for adopting a pragmatic approach to debt during the downturn **Meechan** was concerned they may not adopt such a patient approach this time around. "With NAMA compounding the market situation we could be looking at a fairly rough period."

Don't believe all you read in the papers!

Red-top tabloids and national media coverage came in for Roundtable criticism for perpetuating a UK plc 'doom and gloom' scenario.

Clayton said when Chelsminster spotted the property market overheating it acted to consolidate its property position. "We sat and waited. It was a hard game because the market was still rising. But the downturn did come. Then we had quantitative easing and things started to come back and grow. But now, it seems everyone has lost confidence and the market has been coshed because of all the negative media talking of possible double-dips. This does not help."

Stuckey suggested the national media picture was also inaccurate. "There are some really positive things that can be said about the Thames Valley particularly, but also across the regions. We are actually in a stronger position here in the south east."

Davies agreed that media coverage was too broadly negative. "They don't pick up the regional plusses.

Nick Coote

For example, the residential market is very regional, but the Thames Valley is definitely holding its own."

Murray stressed that *The Business Magazine* aimed to present an accurate regional view - "and you are right, this region is much stronger than other parts of the country".

Carson: "In the Thames Valley there is a slight difference between market perception and reality. The tenants I am talking to seem to be saying that they are growing and things are improving. But, I think the perception is that because we are not back to where we were in early 2007, it doesn't yet feel like 'Business as Usual'."

The unspoken Roundtable question was: "But, are we ever going to get back to those heady times?"

Henry-Lyons noted that as yet NAMA and its

Philip Davies

possible consequences for the UK had gone largely unreported by the media.

Davies: "You can always point to London for a commercial, residential or investment market, even if it is currently fuelled by foreign money, but I wouldn't want to be doing anything outside the south-east at the moment, particularly with public sector cuts coming."

Be confident: recovery is coming

Coote pointed out that the Thames Valley traditionally followed London trends. "The positive activity we have been seeing in the West End, will probably be seen in the Thames Valley Q3 2011. Actually, we're already seeing the first signs with enquiries coming through."

Clayton: "Confidence is much more valuable than gold or any currency in the market. What can we do to take away this doubt? As people tighten up, it will stranglehold the market and people will be afraid to do business, especially the banks."

Coote said the importance of confidence was illustrated by the lack of market decision-making. "The whole of the commercial market today is actually driven by scheduled lease events."

Some corporates were opting for pre-let deals to offset tricky decision-making in a changing market. Pre-lets allow the company to secure their future move, then live within the existing lease and let it run-down, so the move impact is minimized, explained **Coote**. Yell's pre-let had even helped them come out of the recession feeling 'chipper'. With the economy seemingly improving and staff adopting a new building with a fresh working culture "it's like a whole company relaunch for them," said **Coote**.

Developers' dilemmas

Davies: "Most housing developers are storing away their strategic land because it needs huge upfront infrastructure money. Currently they have an appetite for 12-18 month production sites, but the problem is getting any volume through.

"As a rule of thumb, a good average was selling two-thirds of a sale per site per week. At recent low points we were below a third. Now we are around half a sale, but it doesn't give enough confidence to commit to further work in progress, because people can't get the mortgages at the other end.

"If house prices fall, as most indices predict, pockets like the Thames Valley will hold their own. You may see a problem at the bottom end though, partly through lack of demand and partly because the housing stock is tired."

Coote said that with foreign money making London's West End a very competitive prime property market, he had high-worth clients with £40-50m to invest now considering regional locations instead.

If this largely cheaper foreign money started to move out of London it was going to make it even more difficult for people in the UK to compete, he added.

Foreign investment could be a big benefit to the Thames Valley, **Murray** suggested. Only if the foreign investor understood the Thames Valley and its big regional towns, **Coote** countered.

"There are all sorts of complicated issues in the investment world that will impact on how properties are delivered and occupied going forward," added **Coote**.

He mentioned as examples, lease accounting changes, the amortising of fit-out costs, and the market mismatch of tenants wanting shorter leases; investors wanting longer leases.

Carson said such mismatches would be highlighted with only new stock being able to command long leases, while leases on secondary stock would continue to get shorter. This would push values further apart towards a layer-differentiated market between prime and other properties.

Henry-Lyons wasn't so concerned about lease length. "The American and European real estate industry has in general survived on shorter leases."

Rory Carson

Office overload in the Thames Valley

Coote saw two big negative trends.

- Office space demand is reducing by 30-40% through modern working practices. Average corporate desk utilisation is now only 53%. The historical wedding of workers to desks is being replaced by work anywhere flexibility, less need for floorspace.
- Globalisation is causing consolidation – jobs going to India, for example - and changes in human resource requirements in the Thames Valley.

"Add-in the recession to these changes and that's why demand for offices is unhappy in the Thames Valley."

Henry-Lyons: "Thames Valley office take up in the past 18 months has been at a monumental negative compared even to the 1990s."

Coote said there was 12.5 million sq ft of available built office space in the greater Thames Valley area - Guildford, Woking, Blackwater Valley, Reading, Maidenhead, Slough, Heathrow and Oxford. Take-up in Q1 2010 was 165,000 sq ft. Annualised that is 25 years supply of office space. The underlying trend is around one million sq ft take-up per year.

Continued overleaf...

continued from previous page...

"So, is there no need for speculative building?" queried **Murray**

Henry-Lyons: "We are back to the appeal of new versus old."

Coote: "Not all that supply is Grade A. Reading town centre, near the station is bucking the Thames Valley trend. Rents are going up; rents everywhere else are down 30-40%. I think future office demand will be focused right on transport hubs, people will want to walk to work, and live within sophisticated areas, and will need town centre residential. And that experience is not limited only to Reading."

Mark Clayton

Will Reading's Station Hill go ahead?

The roundtable view was it might have looked like the right scheme in 2006 but that times and circumstances had now changed to its detriment. The funding scenario was radically different now from when the scheme was first mooted, the panel agreed.

Coote: "I don't think it will happen in the form it is now, because it's just indigestible. Can anyone imagine anyone funding one of those buildings, particularly when there's no evidence that there is demand for high-rise? Reading Central at 10 or 11 floors is about as big as you can expect, whereas some of the Station Hill plans are for 30 storeys."

The concept had changed from the original scheme, because of amendments suggested by local authority planners. The panel discussed whether the viability of the development would be improved if there were more offices and retail in the mix and less residential.

"I can't see the appetite for that amount of residential. I was interested in Nick's point about offices near a transport hub, but will people want to live right on top of the station?" asked **Henry-Lyons**.

Davies pointed out that government (John Prescott) directives at the time for higher density building had actually created a demand for flats. "We have now done 10 years of that and the only demand now is back to houses. It will be a long time before there is any equilibrium in the apartment market."

Clayton pondered the developer's choice: residential v. retail v office.

"There is a risk element in retail and commercial offices, so, supported at the time by the government's aim to build 2.2 million new homes and bulk buying of buy-to-lets, that's why they may have put in a larger residential element. After all, everyone needs a roof over their head."

What's the true property value?

Henry-Lyons said too many people were viewing development proposals on the basis of rates per sq ft, and comparing them either against out-of-date rates or against inappropriate comparative properties or areas. A dose of valuation reality would assist the market.

Clayton said it was frustrating when deals were virtually agreed and then real estate agents' valuations presented to the banks for funding purposes 'trashed' the deal.

Stuckey: "The lack of movement in the market hasn't really helped with comparables."

Coote: "Valuers are having to work harder than ever to reflect market circumstances, being aware of changing market conditions, but hampered by low transactional levels."

Clayton highlighted a new valuation difficulty: "How do you introduce an aspect such as NAMA into a valuation?"

Coote warned that sources of valuation might contract in the near future with an industry trend for companies to use valuers who meet the new, exacting RICS competency standards.

Clayton: "Then you are back with equity problems, because if your valuations are being hit, then banks will ask for more equity to be put in."

Refurbishment opportunities?

Coote raised concerns about commercial office development. "Nothing is being built speculatively and yet people want top quality, big floorplate modern buildings, by a transport hub. Existing stock is slowly being taken out, that will accelerate as confidence increases, and then we will have a real problem of supply. This could effect business efficiency through not being able to provide the required working environment."

Refurbishment of older buildings in good locations could be where the investment market might find future value, he suggested. Deloittes in Reading was given as a recent example.

Henry-Lyons said the costs and regulations involved in refurbishment could limit this market.

Murray questioned whether banks were reluctant to get involved with secondary property.

Stuckey: "If it is a well-placed secondary asset and part of a widespread portfolio where the banks can be comfortable that risks are mitigated, then there is appetite, particularly as the opportunities to fund prime assets are pretty limited."

Mark Stuckey

While creating the right product for the Thames Valley at the right quality and adding value was always key, that wasn't the only difficulty, said **Clayton**. He exampled a proposal to convert 20,000 sq ft of commercial office space in Mayfair to residential, which is set to return 52% profit on costs, but the problem was still in finding an investor to come in. "It's not just lack of capital, it's confidence and commitment."

Carson said that in the current economic climate, several tenants had been opting to negotiate rent-free periods with their landlords in return for taking out lease breaks thus staying in their buildings longer and avoiding expensive relocation costs. "The problem is that their offices are not getting any younger and the rate of obsolescence is getting faster and faster as people opt to occupy at increasingly high densities. This will lead to a certain level of 'pent-up' demand when the economic outlook is brighter."

Coote pointed out that several 25-year deals were beginning to 'wash through'. "We are going to see a wave of big office deals coming along, and these tenants won't stay in their buildings because the M&E is inadequate. They'll want better buildings."

The panel agreed that there were enough positive signs to indicate that the property investment glass was "half-full rather than half-empty". The Thames Valley was still the place to be.

Details:
www.pitmans.com

New office takes off for Barclays Corporate

This month sees the opening of a smart new headquarters for the Heathrow and Slough Team at Barclays Corporate

Located just a stone's throw from the runway at Heathrow Airport, the purpose-designed offices at the World Business Centre underline the bank's commitment to helping customers build for the future.

Heading up the team is corporate director Heathrow and Slough Jagdeep Rai, who sees the relocation as a real step forward.

"By investing in new premises, we're also investing in our people and we see this as a very positive move," she said. "As the economy starts to come out of recession, we're very clear about the fact we're in growth mode and we want to support businesses who can take advantage of the new opportunities.

"In terms of the number of people coming to us to do deals, this is the most positive I have seen the local market in the last two and a half years. Heathrow and Slough are really important areas in terms of economic growth for the Thames Valley and we want to work closely with our customers so we can help them achieve their goals and ambitions and make a real difference to their business."

The new offices will be home to a team of around 20 relationship directors and support staff, as well as providing a base for the bank's network of product specialists who provide dedicated expertise for specific customer requirements.

"We're really proud of our mix of experience and the fact we've been able to take on some really high-quality new recruits with very strong commercial finance backgrounds," Rai continued.

"There is a real appetite for growth and we have the right people to assist our customers and do some quality deals."

In a further move designed to support the local business community, Rai plans to throw open the doors of the new offices as a central hub and meeting place for local companies.

"At the moment, meetings are mainly held in airport hotels, we're saying to businesses come and see us and use our premises as a much more corporate alternative to meet your key clients," she added.

With the airport on its doorstep, the Heathrow and Slough team has a predominance of customers in the transport, logistics and freight sector, as well as across the retail and wholesale arena.

Rai is keen to expand this customer base into other areas such as property and says the bank's strengths and in-house expertise will be key as it looks to capitalise on the area's plans for domestic and international growth.

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BARCLAYS CORPORATE

Changes in pension contributions broadly welcome, says James Cowper

The government's announcement to reduce the amount individuals can contribute to their pensions in any one year from £255,000 to £50,000 will be largely welcome by those on moderate and high incomes, says Thames Valley accountants and business advisers James Cowper.

Chris Lee, a partner and pensions specialist, said: "The government's announcement might sound like a clamp-down on so called 'gold-plated' pensions and on the very wealthy. However, for the vast majority of people who contribute no more than £50,000 a year to their pensions, the announcement is welcome as it confirms that full tax relief will be available for all contributions.

"In contrast, the previous government's proposals would have restricted or denied higher rate tax relief to anyone with annual income of more than £150,000, regardless of their level of contribution. Further, it is a great improvement on the current transitional rules which, for many people, have meant an effective £20,000 cap on fully relievable contributions."

For those entrepreneurs and small business owners who prefer to make large one-off contributions when times are good, there is also welcome news. The annual £50,000 limit will be supplemented by unused relief from the three preceding years

Lee explained: "The recession has hit businesses hard and for the past two years it may be that business owners have not been able to afford to make significant pension contributions. These rules will go some way towards allowing entrepreneurs to top up their pensions when business once again picks up."

However, there is less welcome news that from April 2012 the maximum value in most pension schemes will be reduced from £1.8 million to £1.5m. At present, any 'excess value' above the limit is taxed at up to 55% when pension benefits are drawn. The Government has yet to announce how the new limit will be implemented, but those with existing funds of over £1.5m must be concerned that they will face a substantial tax hit.

Good call for Zeus

Independent private equity house, Zeus Private Equity, has exited its investment in telecommunications provider, XLN Telecom.

ECI Partners has backed the management team in a secondary buyout of XLN for an undisclosed consideration. The deal has delivered a multiple of investment of 4.5x for Zeus. A number of unsolicited approaches generated sufficient interest for Zeus and the management team to consider the sale, following three years of significant profit growth.

Based in Vauxhall, XLN was founded in 2002 by Christian Nellemann, following the deregulation of the UK telecoms sector. The company supplies fixed line, mobile and broadband services to more than 115,000 customers in the SME sector and is the UK's largest independent telecommunications provider. As a result of the transaction, XLN will now have funds available to more than double the size of the business through acquisitions.

Zeus originally backed the management buy-out of XLN in January 2008, investing £6.63 million to acquire a majority stake in the business. In March 2009, Zeus went on to support XLN's acquisition of competitor, OneBill Telecom, with additional investment of £2m. The firm now employs 180 staff at its head office and recorded a turnover of £54m in the year to March 2010, revenues having grown substantially from £27m in 2007.

Tony Dickin, partner at Zeus Private Equity, said: "XLN has been able to take advantage of a highly fragmented sector and position itself as a market leader in the SME telecoms space. Under the leadership of CEO Christian Nellemann, XLN has experienced exceptional growth over the past two years and I wish the business all the best for the future in its partnership with ECI."

XLN's management team, led by founder and Group CEO, Christian Nellemann, will continue to lead the business following the transaction.

Nellemann commented: "By taking a completely fresh approach, we have been able to transform a niche and historically overlooked sector of the market. We have been able to achieve this by combining best quality products with best value pricing and industry leading customer service standards. As a result, we now have a highly profitable and scalable business that will allow us to rapidly expand the range of services we deliver to the small business market. We are delighted that ECI will be a key part of the business's exciting next chapter given the opportunities for consolidation within our sector."

Ian Barton, corporate finance partner at Deloitte in Reading, provided corporate finance advice to Zeus, while Mark Dawson from the Manchester office of Shoosmiths provided legal advice. Neil Davies of KPMG provided vendor due diligence and Nick Jones, Dan Bowtell and Richard Shaw of Clearwater Corporate Finance in London advised the management team at XLN.

Rice Associates retained in Vendia Group acquisition

Rice Associates, in conjunction with Herrington & Carmichael LLP solicitors, were retained by SnackTime Plc, an AIM-listed company and one of the UK's largest national operators of snack and chilled drink vending machines, to provide financial, commercial and legal advice and due diligence in assisting SnackTime in acquiring the entire share capital of Vendia Group UK.

Vendia Group UK consists of four UK companies supplying various vending products which complement those provided by SnackTime. The acquisition means that SnackTime will have over 30,000 customers being serviced by more than 450 employees, agents and franchisees, and will be the UK's fourth largest vending company.

Rice Associates Chartered Accountants provided the financial due dilligence, tax and accounting advice to SnackTime with a team led by Richard Somerville and Andrew Beet. Somerville noted: "Having previously advised Snacktime on an acquisition last year we were very keen to assist the board with this acquisition. Working to a tight reporting deadline of seven weeks ensured everyone was committed and focused and the deal never had the chance to go off rails. This deal ensures that they can now offer an unrivalled vending product and the key management are really committed and enthusiastic over their offerings of the newly enlarged group–it doesn't get much better than that."

Commenting on the deal, Yavan Brar, head of corporate at Herrington & Carmichael said: "We have enjoyed a successful working relationship with SnackTime in previous acquisitions and were delighted to advise on this complex and exciting deal. From a technical point of view it was very interesting; six companies, two groups, four trading companies and seven weeks to complete. Both sides were extremely sensible on the negotiations making the transaction a fairly smooth one from the point of view of agreeing documents and disclosure.

"We wish SnackTime all the best and congratulate it for reaching this milestone in its acquisition strategy."

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RICE
Chartered Accountants, Business and Tax Advisers and Registered Auditors

Latest deals data from across the region

SnackTime PLC

Completion Date: 09/2010

Target: Vendia Group UK

Acquirer: SnackTime

Deal Value: £21 million

Details: Rice Associates and Herrington & Carmichael LLP were retained by SnackTime an AIM Listed company operating snack and chilled drink vending machines to provide financial, commercial and legal advice and due diligence in assisting SnackTime in acquiring the entire share capital of Vendia Group UK

Funding: Paper for Paper with cash

Legal Advisers: Herrington Carmichael

Financial Due Diligence: Rice Associates

Commercial Due Diligence: Herrington Carmichael

Sale of The Office Group

Completion Date: 09/09/2014

Target: The Office Group

Acquirer: Esselco

Deal Value: £43.3 million

Details: Travelex founder Lloyd Dorfman funded the management buyout of Bridges Ventures' majority stake in serviced-office business The Office Group in a deal worth £43.3m. Charlie Green and Olly Olsen, the original founders participated

Funding: HSBC

Corporate Finance Advisers: Cavendish adviser to vendor; FF&P Advisory adviser to purchaser

Legal Advisers: Taylor Wessing to vendor; Steinfield Law LLP adviser to purchaser

Financial Due Diligence: Deloitte

Commercial Due Diligence: Brecher Solicitors; legal adviser to purchaser

Secondary Placing

Completion Date: 10/2010

Target: N/A

Acquirer: N/A

Deal Value: £1.5 million before expenses

Details: Charles Russell LLP advised AIM-listed Europa Oil & Gas (Holdings) plc, the oil and gas explorer and producer, on a secondary placing to raise approximately £1.5m before expenses. £13.4m new ordinary shares were successfully placed by finnCap on behalf of the company at a price of 11.5 pence per share

Funding: finnCap

Legal Advisers: Charles Russell for Europa

Sale of Clifford House

Completion Date: 09/2010

Target: Clifford House Residential Care Home

Deal Value: Over £1 million

Details: Coffin Mew LLP acted for the owner of a long-established care home in her sale of Clifford House Residential Care Home for over £1m

Legal Advisers: Lynne Beasant and Philip Yetman of Coffin Mew acted for the vendor

Management buyin of Dunham Leisure

Completion Date: 09/2010

Target: Dunham Leisure

Acquirer: MBI team backed by RJD Partners

Deal Value: Undisclosed

Details: HMT Corporate Finance, led by partner Andrew Wall and manager Amish Bakhai, advised an MBI team and RJD Partners on the management buyin of Dunham Leisure, a leading holiday park business based in south east Scotland

Funding: RJD Partners; Yorkshire Bank

Corporate Finance Advisers: HMT Corporate Finance

Legal Advisers: Eversheds/Shoosmiths

Financial Due Diligence: Grant Thornton

Commercial Due Diligence: Armstrongs

Project Southampton

Completion Date: 10/2010

Target: 360 Scheduling

Acquirer: Industrial and Financial Systems, IFS AB (publ)

Deal Value: Undisclosed

Details: Charles Russell LLP acted for the acquirer on its acquisition of the entire issued share capital of 360 Scheduling for an undisclosed sum. 360, which has sites in the UK, France and the USA, is one of the world's leading providers of mobile workforce scheduling and optimisation software

Legal Advisers: Charles Russell for IFS

Financial Due Diligence: PwC for IFS

Environmental Control Services (ECS)

Completion Date: 29/09/2010

Target: Environmental Control Services (ECS)

Acquirer: Managed Support Services (MSS) plc

Deal Value: £3.2 million

Details: Osborne Clarke has acted for MSS on the acquisition of ECS

Corporate Finance Advisers: Cenkos

Legal Advisers: Osborne Clarke (James Massy-Collier, Jeff Chang & Jake Turcan)

Project CRISPY

Completion Date: 10/2010

Target: Undisclosed

Acquirer: Undisclosed

Deal Value: Undisclosed

Details: HSBC provided five year senior debt facilities to enable management to buy out the shareholding owned by August Equity. The financing forms part of management's strategy to gain total control of the company and to provide them with a strong financial platform for future growth

Funding: Ben Knowles of HSBC Corporate Banking, Southampton

Legal Advisers: Kath Shimmin from Blake Lapthorn acted for HSBC and Lynn Knight and Rebecca Newson of Shoosmiths were engaged by management

Financial Due Diligence: Darren Philips and Jon Watts of BDO LLP, Southampton

Commercial Due Diligence: Geoff Rampton from RPL

Tax Advisers: Alan Gasser and Jane Mulholland of PwC, Southampton provided corporate tax advice

ESG taps market for dividend recap

3i-sponsored Environmental Scientifics Group (ESG) has tapped the loan market for a £73 million loan refinancing that pays the sponsor a dividend.

The senior financing is split into an £18.5m amortising term loan A, an £18.5m bullet term loan B facility, a £20m acquisition facility and a £5m revolving credit facility, provided by Bank of Ireland, Barclays, GE Capital and HSBC.

There is also an £11m mezzanine facility provided by Indigo.

The financing follows the sale of holding company Inspicio's Inspectorate business to French certification company Bureau Veritas in June for £450m.

Following that sale Inspicio Group along with Eclipse Scientific will be rebranded as ESG. Eclipse Scientific will be retained as a brand within ESG alongside other brands including Soil Mechanics, TES Bretby, PMC and CL Voelcker.

Disposal of XLN Telecom

Completion Date: 09/2010

Target: XLN Telecom

Acquirer: ECI Partners

Deal Value: Undisclosed

Details: XLN has been sold by Zeus to its management team in a secondary buyout funded by ECI Partners, RBS, Clydesdale and Lloyds. The deal generated a 4.5x money multiple (£39 million) for Zeus, who were advised by Ian Barton and James Oliver of Deloitte's Reading and Southampton offices

Funding: ECI Partners, RBS, Clydesdale, Lloyds, management

Corporate Finance Advisers: Deloitte LLP

Legal Advisers: Shoosmiths

Next Deadline

The next Deals Update will appear in our December/January issue

Deadline for submissions is Wednesday Nov 10

Submissions are free. If you would like to submit deal information or to advertise on this page contact:

Tanya Liddiard
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Outsourcing companies with strong track record will flourish

It is an interesting period of change for the outsourcing sector at the moment. The public sector funding cuts announced soon after the election of the new Government sent shockwaves through the outsourcing industry, particularly those businesses with public sector contracts, writes Nigel Gibson, relationship director of Lloyds TSB corporate markets, Thames Valley and south

However, as the realities of these cuts start to become clearer, and by closely evaluating the landscape, outsourcing companies are realising that provided they continue to improve efficiency and offer a quality service there are still many opportunities for growth in the market.

One example is Ceridian UK Ltd, a Reading-based outsourcing company that provides payroll and human resources services, which has continued to find opportunities in the current market place. Lloyds has provided its banking services and continued to support the company over the past ten years. This is positive news for the industry, demonstrating that not only are there opportunities out there for outsourcing companies, but that the banking sector also has confidence in them and are prepared to bolster their plans for development.

We look after a number of outsourcing companies in the Thames Valley region and talk to them on a regular basis to discuss their business prospects and how we can support them. Ceridian, for example, has remained steady due to the real quality of service that it provides. This demonstrates that when companies focus on their core skills and quality of delivery they are able to ride out difficult periods in the market place. In this stretch of downturn, as businesses continue to find ways to reduce their overheads, outsourcing companies are in a great position as they can offer significant cost savings in areas that businesses may not have considered previously.

Mike Blackmore, CFO, Ceridian UK, commented: "Traditional outsourcing companies relied heavily on simple offshore delivery to reduce costs, but this often also meant reduced quality. By intelligently integrating on and offshore delivery, at Ceridian we have found that we are able to give our customers both significantly improved service, and at the same time, deliver a clear and quantifiable financial case for businesses to outsource to us. Therefore, in difficult market conditions we have actually been able to streamline companies' outputs and offer significant cost savings."

For those outsourcing companies that might be concerned about a potential dearth of public sector contracts, it is important to note that these contracts will continue to come up for tender. Companies with a strong track record of delivery in the public sector are well placed to be successful. Additionally, while pressures on the state purse continue, outsourcing companies have the opportunity to demonstrate their strengths and assist the Government in addressing their cost issues. Consequently, despite a challenging period for outsourcing businesses, there remain a number of good reasons for the sector to be optimistic.

Outsourcing could benefit from public-sector cuts

writes Martyn Hart, chairman of the National Outsourcing Association (NOA)

Predicting the future without the use of a crystal ball can sometimes be difficult, particularly in today's changeable climate – however, if you take a long hard look some of today's issues, you might be able to find some clues.

For instance, the government's decision to cut spending in the public sector means that the outsourcing sector is poised to benefit increasingly over the coming months, as public sector departments take advantage of the cost efficiencies on offer to them. Combine this with some positive signs that we're moving beyond the recession, as the economy picks up, we can speculate that the future for outsourcing is bright, with constant change and growth as well as a number of planned key developments planned.

Indeed, we've already seen, public sector organisations taking a step back to look at their business processes, as a result of the government cuts. This now means more and more organisations will look to examine what is core to the way they are run, then find ways to run it more cost effectively and/or more efficiently.

This is where outsourcing has the ability to play a central role in creating sustainable and affordable solutions for many businesses. Business Process Outsourcing (BPO) is already experiencing increased popularity by delivering efficiencies in specific non-core business functions such as human resources, finance and accounting and allowing organisations to focus upon their core competencies.

Market research predicts that both BPO and ITO will grow by 19% (Gartner) to 25% (IDC) each in the next year as businesses look to become more cost effective.

Outsourcing also seems likely to grow within the customer service field with a number of offshore destinations offering strong government tax incentives and affordable, well educated staff. For example Malta, a relatively new player within outsourcing has invested $300 million in SmartCity, home to a number of state of the art buildings fully equipped with a network of dual fibre optic cables...

To read the full story go to: www.businessmag.co.uk and click through to the Digital edition.

Increase efficiency and cut costs, not quality

Until you are actually faced with running a business you may not realise the time and expertise required to do tasks that are outside your specialism, writes Jean Piercy of Griffins

Jean Piercy

The monthly hassle of processing the payroll can be a real chore if you are not sure of what you are doing. Similarly, getting to grips with employment contracts may take time and energy that you simply cannot spare. Often the difficulty is that, although important and necessary, it may not be cost effective for your business to employ someone on a full or part-time basis for these types of activities.

There is an alternative: outsourcing. This is where a business function is contracted out to a third party. Almost any function can be outsourced. Functions vital to your business such as book keeping, accounts, payroll, HR, marketing and IT as well as non-vital functions like cleaning and facilities management to name a few.

Is outsourcing right for your business?

It may be tempting to rush into outsourcing, but take the time to think it through. A good way of assessing this is to consider a series of questions:

- Will outsourcing free up your time and allow you to concentrate on what you do best?
- Will outsourcing improve your efficiency or customer service?
- Will outsourcing have a positive impact on your competitive advantage?
- Are the costs of outsourcing favourable as opposed to doing it in-house?
- Are the risks involved acceptable?

If the answer to these questions is yes then outsourcing may be right for you.

Considering finance and payroll can be a good starting point as you already outsource some of these activities such as audit and taxation. Why not do the same with your finance department? The service level agreement can be completely flexible according to your needs and if it includes online accounts you will have the benefit of easily accessible up-to-date management information at any time.

A word of warning

Research shows that a significant number of outsourcing arrangements end badly, but this in itself is not a reason to reject outsourcing. It does however emphasise how important it is to choose your outsourcing partner very carefully. Your outsourcing partner should be flexible to match your needs, culturally a good fit for you, have ability and a good track record and more importantly bring in knowledge and value. Remember – anything done on your business' behalf will reflect directly on it.

And finally...

If managed successfully, outsourcing allows you to concentrate on what you do best, save money, be more flexible and manage growth effectively.

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Griffins

The future of R&D tax relief in climate of spending reviews

In June 2010, the coalition government began its term by announcing a number of immediate changes to the corporate tax landscape including a 1% reduction in the rate of corporation tax, writes Malcolm Joy

These headline reductions, weighed against the pressure to reduce the budget deficit of £155 billion in cuts to spending, leaves the Government with some difficult choices.

The coalition has clearly shifted the focus away from financial services, towards sectors such as manufacturing and UK innovation to lead the country out of recession. We would have expected that the R&D tax relief regime would play a key role in encouraging these sectors and incentivising UK businesses to invest more in R&D.

However, David Cameron, who had previously suggested the R&D tax relief regime would be completely abolished, asked James Dyson to review the current UK incentives to encourage innovation. In the post election budget chancellor George Osborne announced to "agree with business a long-term approach to the proposals from James Dyson on Research & Development", marking a shift from the Conservatives original suggestions.

Dyson's report, entitled "Making the UK the leading high-tech exporter in Europe", proposed a refocus of R&D tax credits on hi-tech companies, small businesses and start-ups, and when public finances allow, suggested the rate should be increased to 200% (currently 175% for small and medium-sized businesses). The report also recommended that the process of claiming the relief be simplified.

R&D tax relief, and in particular the cash credit, is hugely valuable to companies, often representing the life blood of fledgling technology businesses. The relief is available to companies that are seeking to develop or achieve an improvement in a product or process, and in doing so, seek to achieve an advance in science or technology, through the resolution of scientific or technological uncertainties.

The relief provides SMEs with a 175% enhanced tax deduction for qualifying costs. This relief is offset against taxable profits, or may (subject to certain criteria), be surrendered for a cash credit (up to £24.50 per £100 spent, capped at the companies PAYE liability).

Malcolm Joy, tax partner, BDO LLP

For large companies, the relief provides for a 130% enhanced tax deduction, offset against taxable profits (the large scheme does not allow for a cash credit). However, when you consider that the removal of the R&D tax relief regime for large companies (ie only allowing it to continue for SMEs) would fund the 1% reduction in mainstream corporation tax, you can appreciate the government's dilemma on the future of R&D tax relief.

With the emphasis shifting towards smaller start-up technology companies, many large companies, (and perhaps smaller non-'hi-tech' companies) may well have only a very limited window to continue benefiting from this valuable tax relief.

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BDO

Taxation: RSM Tenon flags up the iXBRL issue

Nick Parker, RSM Tenon's head of tax in the southern region, is fighting something of a losing battle at the moment. The eyes of the nation's businesses are focused on the likely impact of the government's recently-announced public sector spending cuts, and Parker wants people to wake up to a new taxation threat, writes John Burbedge

It's enough to make Parker want to say "iXBRL" very loudly to lots of people. That's not like "?*!/&!! " or "{§?&!!" you understand, but it is annoying that iXBRL is being introduced by Her Majesty's Revenue & Customs largely unnoticed by the business world.

The reason for Parker's concern is that iXBRL, a system of automated computer checking, is set to dramatically increase the number of HMRC investigations. And while the "flags" will be out when iXBRL is launched next year, business folk will have few reasons for celebrating, Parker believes.

"The iXBRL format allows the HMRC to interrogate the information it receives more closely. Its systems will automatically 'flag' iXBRL anomalies. So, with less humans involved, and computers throwing out exception reports, I think it is inevitable that the number of tax enquiries will increase," says Parker.

There are short-term problems:

HMRC is introducing mandatory iXBRL online filing of accounts and computations from April 1, 2011. Many businesses (mostly the smaller ones) and even some accounting software providers and accountants (not RSM Tenon) may not be ready when iXBRL goes live.

The days of in-house accounting spreadsheets using Word or Excel could be numbered unless suitable conversion software is installed. Many more owner-managers and SMEs will outsource tax affairs work to mainstream accountants, Parker believes.

And long-term problems:

iXBRL, or inline Extensible Business Reporting Language, uses tags (like bar codes) that enable software to automatically read, process and analyse financial information. People will still be able to see the original content and format of a document clearly for normal management purposes.

The adoption of iXBRL for financial and tax reporting has the potential to assist business management, and to simplify HMRC compliance – but, as Parker warns, also to flag up non-compliance.

Should tax enquiries get too involved and even to the point of legal contention, companies can expect integrated handling from HMRC, Parker suggests. "HMRC won't just enter into a single aspect enquiry anymore. It will look at everything – PAYE, VAT, Corporation Tax, NI, etc .... We've already had inquiry meetings where seven different inspectors have turned up.

"Basically the taxation regime is becoming far more efficient, and officious."

Disclose or be discovered

"We are getting a more robust and sophisticated approach from HMRC nowadays, which is understandable with the level of national debt that we have. HMRC will be looking for low-hanging fruit on tax matters, and that's why upfront disclosure has now become absolutely key for all businesses.

"Fundamentally, there are enormous 'grey areas' in tax, and if a company is adopting an approach in a grey area, it needs to set out precisely what it's doing so HMRC knows. And, if it is at odds with HMRC manuals, then the company must make a formal disclosure, otherwise HMRC can issue discovery assessments for not being properly informed."

Parker suggests companies should seek advice and carefully review "grey areas" such as repairs and renewals, entertaining, legal and professional fees, capital items, share schemes, and benefits in kind (P11Ds).

Nick Parker

"Companies will have to get used to presenting things to HMRC on a fully disclosed basis, and in the right way."

The message to businesses everywhere is plain: Get your systems and books in order, get professional help as required – or suffer the painful consequences!

Will the buck stop in your pocket?

Another incoming HMRC innovation is the concept of senior accounting officer responsibilities – persons within large companies (turnover £200 million-plus) who will be individually responsible for certifying that their company systems are fit and proper for providing HMRC with required accounting information.

"If that senior accounting officer gets it wrong there is a personal fine of £5,000, out his own pocket. If the company pays it, it will be treated as a benefit in kind."

The practical problems and pressures of such individual responsibility are obvious in multinational corporates, not least with global compliance concerns. Tiered sign-offs will take on a whole new anxiety level.

"Once this concept becomes established it could be extended to other companies by reducing the turnover threshold," warns Parker.

Ongoing taxation changes

VAT will increase to 20% in the New Year, but companies need to be careful about forward-billing, said Parker. There are now specific anti-avoidance provisions for forward-billing transgressions and HMRC can impose the additional 2.5% VAT on the invoice rendering entity if the companies abuse the provisions. "My advice is to get all your VAT systems checked and to follow HMRC published guidelines carefully."

Now is also the time to maximise on Entrepreneurs' Relief rising to £5 million – if you qualify. "People naturally assume they come within the HMRC rules, but they might get a nasty surprise if they haven't already checked it out. The rules are complex and it is easy to fall foul of them and end up with an unexpected tax bill. There are planning opportunities for married partners with shareholdings but care needs to be exercised as such planning needs to be carried out a full year before disposal."

Encouragement for UK plc has come with corporation tax being reduced from 28% to 24% over a four-year period. Capital allowance rates are being reduced from 2012, which could act as an economic catalyst if businesses decide to get projects underway before the rates drop.

Looking ahead to the spring 2011 Budget, Parker couldn't see any major changes in key taxes such as VAT and income tax. There might be increases in taxation on discretional spending – fuel, tobacco and alcohol – but "nothing radical, and not as harsh as we might expect."

Parker also notes that the nil rate of inheritance tax was now frozen at £325,000 for the life of the current Parliament.

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RSM Tenon

Is there honesty in tax?

Honesty in tax is all important. I am sure that all right-minded people would agree with that statement. But I fear that honesty is becoming a much rarer commodity in our tax system today, writes Cormac Marum, partner Harwood Hutton Tax Advisory LLP

I am not suggesting that, as a nation, we are becoming more dishonest in our tax affairs and sinking to the depths of non-compliance witnessed in some other countries abroad. Despite the likes of Del Boy and Rodney operating with "no income tax, no VAT" in the black economy, the level of tax compliance in the UK has always been high thanks largely to the co-operation of the accounting profession and the law abiding nature of the UK public with its instinct for fair play. This is a very British characteristic and is something about which this country should rightly be proud.

Where I see the increasing dishonesty in the tax system is not amongst the taxpayers but worryingly amongst the upper echelons of HM Revenue & Customs advisers and amongst our legislators.

What form does this increasing dishonesty take? It is in the deliberate policy to blur the distinction between tax evasion and what is called tax avoidance. It is simply dishonest not to distinguish between these two categories and dishonesty is not the basis on which to build any public policy least of all our taxation system. To continue with this dishonesty will only bring the UK tax system into disrepute and quickly undermine the prospects of economic recovery.

Tax evasion and tax avoidance are not, by any stretch of the imagination, the same. They are definitely not two sides of the same coin. Yet repeatedly we have heard, both from the last government and from the present coalition, that they intend to be ruthless in their pursuit of those who avoid or evade paying tax and that, in the country's present economic difficulties, they will attack those who think that paying extra taxes is an optional extra. This is all good populist sentiment. But no distinction is drawn between tax evasion, which is clearly illegal and can never be condoned, and tax avoidance, which is no more than the sensible management of an economic cost facing any consumer.

Governments of all political colours have long followed a carrot and stick approach and used the tax system to send economic messages

Cormac Marum

to consumers either to persuade them to stop doing certain things or to encourage them to do more of something else. Hence governments have:

- increased 'sin taxes' to reduce levels of smoking and drinking;
- racked up fuel taxes to persuade us to cut down on the use of our cars; and
- introduced air passenger duty to make us think twice about taking unnecessary flights.

At the same time those governments have sought to encourage consumers to undertake a range of activities which presumably they thought would have been ignored without those helpful tax breaks. So we have for example:

- Gift Aid to encourage businesses or individuals to make donations to charity;
- Enhanced capital allowances to make more attractive investment into certain types of plant and machinery;
- Generous tax relief under EIS to persuade individuals from outside to take equity stakes in small and medium-sized enterprises undertaking certain qualifying activities; and
- During the financial crisis the last government temporarily reduced the standard rate of VAT to 15% for 13 months in the hope of stimulating High Street sales.

It is this constant carrot and stick approach which has, in part, contributed to the excessive length of the UK tax code.

If successive governments have taught British consumers to respond to economic messages sent out directly through the tax system, why do they think that businesses and individuals operating in a free enterprise system should suddenly stop responding to certain economic stimuli? The whole wealth of the country is based on companies and individuals responding day in and day out to all kinds of economic stimuli. We all rely on companies and individuals being entrepreneurial.

If an entrepreneurial approach is followed, tax is simply a cost and, like any other cost, it needs to be managed. To seek to minimise your tax liability is merely a natural response and one to be expected, and actually encouraged, from an economically literate person. There is nothing illegal in following this approach providing you make full disclosure, as required, to the tax authorities and you stick to the rules laid down.

Nothing good is achieved by dishonestly confusing the sensible management of tax costs with illegal tax evasion. All that is achieved by following such a dishonest policy is to harm British business and British consumers by getting them to worry unnecessarily and refrain from responding naturally to economic circumstances.

In my view, the country would be much better served by reducing the complexities in our tax system, removing this dishonest association of tax management with tax evasion and allowing British business and British consumers to respond naturally to economic realities. That would bring some much needed honesty to our tax system.

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Structuring for the future

Have businesses gone far enough? Baker Tilly's Gary Heynes and Leo Bentley look outside the box

Gary Heynes

In the current economic environment many business owners have seized the opportunity to review their processes and streamline their business systems. However, few will have looked at their operating structure, accepting with little challenge that they are a sole trader, partnership (or Limited Liability Partnership) or company and putting up with the inflexibilities of a single structure.

There is an alternative – a hybrid structure – where a business is made up of a mixture of partnership and company. Far from being expensive, it can provide cost savings, motivation for senior employees through ownership of the business and the potential to grow through acquisition without significant cash outlay.

There are noticeable variations between unincorporated and corporate structures. Taxation is one area where the profits extracted by business owners through a limited company is considerably different when compared to an unincorporated entity; for an existing partnership, partners will be taxed at 40% or 50% on profits allocated to them, whether they need them or not. They suffer this tax even if they wish to retain the profits in the business. A company could pay tax as low as 21% on profits it wishes to retain. Conversely, companies pay very high rates of national insurance on salaries and bonuses, as do the employees themselves.

Cashflow is different given that tax on salaries is paid monthly, but those who are self-employed only pay tax half yearly.

A company buying a business can offer shares for the purchase, but a partnership cannot nor can it offer its employees a share incentive.

A hybrid structure can overcome these as well as other issues:

- Providing improved cashflow;
- Establishing an efficient business structure for making future acquisitions;
- Facilitating staff incentives in the form of share schemes to retain key employees; and
- Prompting the need to revisit outdated partnership/ shareholder agreements.

Baker Tilly has advised on and implemented hybrid structures for a range of businesses over recent years and has significant experience in this area. We have worked both with small businesses that have a handful of owners, and substantial businesses with over 200 partners/shareholders.

On the basis that both partnerships and companies can move to a hybrid structure, there are significant opportunities for many businesses to enjoy the benefits of an improved structure. A review is certainly worthwhile to ensure your business is in the right shape in time for the upturn in the economy.

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BAKER TILLY

Buying a business: how to avoid the tax traps

When purchasing a company, it is vital to gather as much information about the business as possible. Laura Lindsay of Penningtons Solicitors LLP explains the importance of undertaking tax due diligence before completing the purchase

Laura Lindsay

The due diligence process is conducted by the buyer's lawyers, who ask the seller for information on various aspects of the company, including finance, assets, employees, and insurance.

What is the purpose of tax due diligence?

From a tax perspective, the buyer should look into the tax affairs of the company in order to identify:

- potential tax liabilities which may arise after the purchase of the company;
- the tax consequences of purchasing the company; and
- any areas where the buyer should negotiate specific clauses to be added to the sale and purchase agreement (SPA).

Which issues should the buyer consider?

There are numerous areas where tax liabilities could arise. Examples include:

- the status of open tax returns – HMRC may investigate the tax affairs of a company up to two years from the end of each accounting period;
- VAT – the buyer should consider whether payment had been made on time and how supplies of goods or services made by the company have been treated for VAT purposes; and
- PAYE – the buyer should obtain copies of the company's last PAYE audit.

How should buyers protect themselves?

Following the due diligence process, there are two types of document which cover tax liabilities: the SPA and the tax covenant.

The SPA contains a series of tax "warranties" about the company, by which the seller makes various statements of fact about the tax affairs of the company. If any warranties subsequently turn out to be false, the buyer could sue the seller for damages. The SPA may also contain specific "indemnities" in relation to tax liabilities which could arise in special circumstances.

The tax covenant provides additional protection. Often, suing under the tax covenant is more effective and differs from breach of warranty in the following ways:

- the damages awarded may be higher;
- there is no requirement to prove that any financial loss incurred was foreseeable;
- there is no duty for the buyer to take steps to attempt to mitigate their loss.

A tax covenant is also used to protect the buyer against liabilities arising after the purchase and to adjust the purchase price of the company following completion, if previously undiscovered tax liabilities lower the value of the company below the price which the buyer paid at completion.

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PENNINGTONS
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The importance of making a Will

2010 continues to be a volatile and troubled year and with that uncertainty in the world, it will pay to create certainty at home. Only 50% of us who should be making a Will, do and many people misunderstand intestacy, write Patrick Hurd and Michael Jepson of Pitmans

Is the following acceptable for your Will?

- If my spouse/civil partner survives me he/she gets all my personal possessions and the first £250,000 of my estate plus a life interest (interest in income only) in half of the rest. The other half is to go to our children as and when they attain the age of 18 or on earlier marriage.
- If he/she survives me but I have no children he/she gets personal possessions and the first £450,000 of my estate plus half of the rest. The other goes to my parents or brothers and sisters.
- I do not appoint anyone as my executor but my spouse/civil partner and my family can sort out who is to apply for a grant.

Now, if you have not made a Will, then that is your Will, as that is a basic summary of the main intestacy provisions.

The Government has issued a consultation paper on intestacy so that even if the above were acceptable now, any new provisions would apply after 2011. Would you want to leave it to the Government to update your Will?

Intestacy arises when the deceased did not make a Will or revokes it.

Marrying or entering into civil partnership revokes a Will unless it makes specific reference to an intended marriage. Alternatively, the Will may be invalid.

Certain assets are excluded from intestacy, namely those held jointly, which pass by survivorship ie joint tenancy (as opposed to tenancy in common of property) when it passes automatically to the survivor outside the Will/intestacy, for example property and joint accounts. Life insurance policies are often written under trust when they also pass separately.

You can avoid intestacy by making a Will. It is often straightforward becoming more complex where tax and cross border issues exist. Incorporating a trust into a Will is an important consideration, for example where minor children are involved or dealing with a second marriage. It needs to be remembered that if there is a beneficiary who is dependant on the deceased, for whom proper provision has not been made, then claims can be made under Inheritance (Provision for the Family and Dependants) Act 1975.

People generally think of inheritance tax when thinking about Wills. There is a (currently frozen) nil rate band limit of £325,000. Above that inheritance tax is payable at 40% on the whole of the excess.

There is, of course, exemption between spouses and civil partners for property passing to the survivor so that the transfer will be exempt from IHT even if the value is in excess of nil rate band. Where one spouse is not domiciled in the UK, there is a significant inheritance tax restriction which needs to be provided for. Complexities arise where foreign assets are involved, particularly overseas land which is always subject to local rules and taxation.

Patrick Hurd, consultant

Since 2007, the Government has permitted one spouse's unused nil rate band to be transferred on the first death to the other. Importantly, this is at the level applying on the second death. This is an important entitlement, but it is not always the case that spouses will want to organise their affairs to maximise the amount that can be transferred to the survivor. For example, where property is likely to grow in value faster than the nil rate band threshold increases, it may well be preferable for that property to be put into a nil rate band discretionary trust at the outset, so as to use up the nil rate band.

Agricultural (APR) and Business property relief (BPR) are vital reliefs as assets and property which qualify can get 100% or 50% relief from IHT. BPR applies to any unquoted (except for AIM) shares in a qualifying (broadly, non investment) company or unincorporated business, which has been owned for two years. These assets can pass straight into a trust on the first death and the surviving spouse can be included as a beneficiary, but without the interest forming part of his/her estate. This exemption may well be lost (because the business may be sold or the relief wholly or partially withdrawn by the Government) if not used as part of the planning for the death of the first spouse.

Circumstances may permit additional planning to secure an effective further deduction on the second death through careful, but straightforward planning, involving the purchase of business assets from the trust.

Where business property is held, more detailed provisions are needed in the Will to take full advantage of the reliefs. Clients whose businesses are carried on in partnership, need to be aware of a trap in that BPR can be denied on the death of a partner where the remaining

Michael Jepson, consultant

partners have implicitly or expressly agreed to buy out the deceased partner's share of the business, possibly through insurance policy arrangements. Clients need to review their partnership agreements in this respect.

Combining the use of BPR with capital gains tax holdover reliefs and the possibility of using lifetime trusts, instead of a Will, to provide for succession to family businesses can prove a compelling tool.

There is much that clients can do to minimise the tax burden by taking advantage of reliefs which the Government have introduced. This represents legitimate tax mitigation, not avoidance, itself now a perjorative term.

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What is entrepreneurial spirit?

The Business Magazine writer John Burbedge goes in search of an answer

"Animal instinct!" was the reply to that question from a business friend of mine.

He explained his answer. "It's not about survival of the fittest, although winning can be important to some people, it's about the natural urge of humans to procreate and leave something of themselves behind," (only, he didn't use the word 'procreate').

"Put simply, men want to make their dreams become reality; they want to give birth!" he added.

"What about women?" I queried, immediately feeling stupid.

"Well, they have 'entrepreneurial urges' too, don't they?" he said with a smile.

So, personal legacy might be the driver for entrepreneurial spirit. But, what does entrepreneurial spirit consist of?

I thought I'd ask an expert in the entrepreneurial field, Susan Elliott, CEO of Thames Valley Innovation & Growth Team (IGT), who deals with hopeful and successful entrepreneurs every day of her working life.

She consulted her Thames Valley IGT colleagues Nigel Biggs, Bob Bradley, Nick Horslen and Stephen Foale and they came up with the following ingredients and 'recipe' for making entrepreneurial spirit (with no distillation or special brewing equipment required).

Take generous helpings of:

- Confidence and desire

Mix with significant quantities of:

- Market awareness
- Ability, and willingness to learn

Add a spark of:

- Innovation

Allow to stand for some time with:

- Stamina

...entrepreneurial spirit in action

Not only did the Thames Valley Innovation & Growth Team (IGT) team provide this 'recipe' for entrepreneurial spirit, but it even provided some examples of the finished product to savour, each containing strong evidence of these important ingredients, yet each with distinctive highlights

Confidence and desire

Confidence and desire are two different qualities. Confidence suggest certainty, desire suggests passion. Together they produce positive action.

Future Purchasing has performed confidently within its sector since it was formed in 2002, bringing together project teams of professional consultants with exceptionally strong change management, process design, implementation and educational expertise in procurement. It has more than 40 specialists based in the UK, Scandinavia, The Netherlands, France and Germany.

Its procurement consultancy teams have enabled Future Purchasing to provide vision, challenge, perspective and highly practical implementation experience. This proven ability is now recognised by a considerable number of senior procurement professionals within the FT European 500 and the public sector.

In 2009, confident of his teams' abilities, Future Purchasing managing director Mark Webb set about extending the business from pure consultancy to the sale of a category management software solution that increases the effectiveness of sourcing and supplier management - a tool called Track 8.

His entrepreneurial desire was to move from a concept to product reality through a considered development, marketing and launch strategy for the Track 8 product. Thames Valley IGT helped Future Purchasing channel its confidence and desire into positive action and Mark Webb's goal was achieved in less than 12 months.

Webb commented: "If we'd had this support to underpin our ambitious plans two years ago Track 8 would already be on the market with sales secured".

Market Awareness

Being in the right place at the right time is good news for an entrepreneur... but only if you know it is the right place at the right time. Market awareness also means having the right product or service available when the opportunity arises. Like any good comedian, for the entrepreneur aiming to get his customers smiling with satisfaction, it can also often be a matter of good timing.

FISCAL Technologies has its EMEA headquarters in Reading and provides world-class accounts payable audit software to medium & large organisations.

David Griffiths, CEO and Director of Customer Development, sprinkled his entrepreneurial magic on an existing product that wasn't succeeding in the market. Through innovative marketing, strong product development and a well-managed re-launch the product is now selling well.

He had contacted the Thames Valley Innovation & Growth Team which put him in contact with a peer group of other similar companies. "This has been invaluable as we can all share our problems and solutions. It is also nice to know other people are in the same boat.

The IGT provides a range of monthly seminars that have been very useful and a good gathering point to network further.

"Thames Valley IGT's Bob Bradley and Stephen Foale were also instrumental for bouncing ideas off, and giving us a reality check. Their business acumen has been very helpful in packaging our business for a future flotation or bringing in external investors. They also provided us a range of tools to help plan our business and develop it further. When you are in a small fast-paced technology business, all this is vital."

Griffiths is obviously not alone with his entrepreneurial talent. The company has reported 50% sales growth each year for the past three years, and has ambitious plans to continue to increase its brand awareness over the next few years.

FISCAL's agility and innovation allows them to "run rings around conventional audit companies and offer high immediate value to our customers," as Griffiths puts it. "We are winning five or six customers every month and now it's about continuing to scale the organisation profitably."

Continued overleaf...

continued from previous page...

Ability, and willingness to learn

Knowing one's abilities is not the same as confidence. There are plenty of damp children who were confident they would outrun the incoming waves. The same goes for entrepreneurs, only they tend to get burnt – financially!

Costly business mistakes caused through lack of the right abilities invariably cause business setbacks to growth too. They could even kill a fledgling business.

Pride comes before a fall they say, and not seeking help through personal pride is a common entrepreneurial failing. Showing a willingness to learn is not admitting failure, it is recognising a fresh opportunity.

TDB Fusion, the Bracknell-based IT specialist, was founded in 2002 by brothers Colin and Richard Aurelius, and quickly established itself with a prestigious customer list through the technical ability of its core team. The company provided complex IT management systems to enterprise customers, managed service providers and telecommunications carriers. Its customer base grew significantly as the business broadened the range of IT management solutions within its portfolio, and identified a number of strategic opportunities for rapid growth.

Diversification and expansion presented new and unexpected challenges. Colin Aurelius explained: "We were looking to capitalise on a range of opportunities, but with a management team limited in board-level experience, we needed more expertise and guidance in this area."

Through a personal contact, Colin Aurelius became aware of the Coaching for High Growth programme delivered by the Thames Valley Innovation & Growth Team.

"I was able to work with Nick Horslen, a high growth business coach, and discuss a broad range of challenges and opportunities facing the business. Working with someone outside TDB Fusion enabled me to step back from the day-to-day business and think through the strategy more carefully," he added.

Now with 25 employees, TDB Fusion rebranded this year to reflect the broadened scope of its operations and services – through its work with the Thames Valley IGT the company completed the development of Federos, an innovative business process management technology which bridges the gap between IT and data centre operations to support consolidation strategies and drive operational efficiency; it continues to go from strength to strength.

Innovation

I believe they say that: Innovation is 10% inspiration and 90% perspiration. Whatever the quote, innovation within the business world is not all about Eureka moments. More often than not an innovative new product or service is an improvement of an existing product or service – 'tinkering with technology' or doing things better, quicker, cheaper.

But it does help to spot a gap in the market.

Newbury-based Intelligent Retail was begun in 2005 by brothers David and Neil Mackley in a bid to help small retailers fight back. The Mackleys had noticed that small retailers were losing the battle to the high street giants when it came to electronic point-of-sale (EPoS) systems.

With the retail industry's move towards selling across multiple channels, namely shop and web, the need to keep up with the Jones's, let alone the Tesco's and John Lewis's, was turning into a daunting and demanding challenge. Larger retailers had the time, money and resources to implement sophisticated multichannel invoicing and stock control systems; the majority of smaller independent outlets did not.

The innovation that the Mackleys brought to small retailers was software products and services to drive business efficiencies and save time and money when selling through multiple channels. The systems also integrate with SAGE accounting to allow complete end-to-end business management. Importantly, the Intelligent Retail systems are simple to use and affordable for small to medium-sized retailers.

Of course, Intelligent Retail was a small start-up business itself and needed some help. It turned to Thames Valley IGT. David Mackley admitted: "We didn't have all the skill sets in house, so it's been very useful to have independent experts involved to ensure that we didn't make the sort of mistakes that others businesses might. In fact, looking back over the past few years, they've been a fundamental part of our success and growth as a company."

Having set off on a journey to develop and supply a range of EPoS systems designed specifically for smaller retailers, Intelligent Retail is now well on track, turning over more than £2million and still growing.

Stamina

Getting a business off the ground requires entrepreneurial spirit. Keeping that company going needs regular inputs of one special entrepreneurial quality - stamina. That's the rugged stamina of the boxer to roll with the punches and avoid the knockout blows; the constant determined stamina of the long-distance runner; and the energetic stamina of the gymnast to be able to adapt and react quickly.

IT and software company Avco Systems is not a high-flying star that faded quickly, as some promising businesses do.

Led by managing director Dr Raphael Kanza the company has grown slowly but very surely (and profitably) every year for 25 years, having strongly supported UK-based software development for high-quality applications. Avco Systems has a history of gaining large customers who remain as customers for years and years – greatly valuing their personal relationships with Dr Kanza and the Avco team.

Prudent financial management has enabled the company to grow and develop out of its profits without recourse to borrowing. Its sustained growth and low staff turnover has made Avco thriving, innovative and successful with a reputation for delivering value for money services and high-standard yet flexible customer support and aftercare. Avco has just moved into new offices in Slough ready for a new growth phase.

Avco Systems is now developing an 'IT Emporium' concept offering 'near-the-shelf' software, where an 'off-the-shelf' option is not available. Avco uses its existing software libraries to prototype a customer's needs very quickly before final development work, making the solution delivery faster and more cost-effective. Avco is also part of a consortium researching cloud computing.

Nigel Biggs at Thames Valley IGT has assisted Avco Systems to improve its strategic planning. Recently Dr Kanza presented a refreshed and considered business plan to his bank manager who commented: "Whilst we have discussed your plans several times over the years, this was the first time I can really say that the business has had a crystal clear vision for growth and real evidence of change being delivered at pace".

Thames Valley Innovation & Growth Team provides tailored support to help accelerate business growth and innovation. Experienced business people who have started, managed, grown and sold businesses help management teams and owner managers increase market potential through independent objective guidance and coaching. Government funding enables this support to be delivered at little or no cost to business owners and managers.

Details: www.innovationgrowth.co.uk/thamesvalley

How to reduce your tax burden against future changes

In this age of austerity, with the UK Government trying desperately to boost its coffers and with MPs' expenses and 'loopholes' high up on the agenda, John Addrison, from Rouse Chartered Accountants, considers what changes we might see over the next year in the areas of tax legislation that may affect our entrepreneurs

"Tax avoidance is good, tax evasion is bad" is a mantra that accountants throughout the UK have intoned for years to their clients and we have been no exception. However, under the eagle eyes and sharp claws of the Treasury, the coalition wants to target the avoiders as much as the evaders. This may not be good electioneering in the longer term but that is not their key focus now.

So, what is around now for entrepreneurs who want to plan to reduce their tax burden and what will still be there in 12 months time? Unfortunately with child benefit going, I can no longer save up for my own crystal ball so what follows is my thoughts on what may stay and what will possibly go.

Tax rates generally

We know that VAT is going up to 20% and that the highest rate of income tax is unlikely to change yet, so is there much room for movement. With sweeping reductions in public spending, the Government is trying not to directly tax the UK more than currently is the case. We know that corporate tax rates will reduce at the top and may reduce at the lower end. There is more bad news on the horizon for non-resident/non-domiciled tax payers.

Employee Benefit Trusts (EBTs):

Looks like they are on the way out

The use of EBTs that allow employees to avoid income tax are popular with a wide range of companies, from City firms to football clubs, but are thought to be a likely ongoing target for the Revenue. The Treasury has indicated that they are seeking to legislate in some way on the use of trusts (mainly offshore) to reward appropriate members of staff in a low tax/nil tax environment.

Currently the tax treatment for the company depends on the type of EBT it creates but the overall savings for the company and the individuals who benefit can be substantial.

Employer-Funded Retirement Benefit Schemes (EFRBS):

Could also be on their way out

EFRBS work in a similar way to EBTs and HMRC has already warned that it will seek to legislate against "attempts to avoid tax and NI through arrangements to disguise payments of remuneration".

In some ways this is good news for both EFRBS and EBTs as it means that current schemes, if provided by a reputable organisation and correctly formulated, may prove effective as only legislation has been deemed capable of preventing them from continuing.

Opportunities for entrepreneurs: Correct use of EBTs and EFRBS can save substantial amounts of tax for profitable businesses and allow owner-managers to enjoy more fully the fruits of their labours. If you are considering this type of tax mitigation then there is a window of opportunity between now and March 2011.

John Addrison

Company share option plans:

Safe for now

The Treasury must balance its crackdown with sense (something that does occasionally seem to be missing when government and business collide) but it would be an extremely backward and stifling step to prevent employees from supporting their own firms and from employers incentivising their staff members in this income tax and CGT efficient manner.

This is an ideal way to retain key members of staff and ensure that your flourishing business continues to do just that.

For the Entrepreneur: If you are thinking of creating some form of share option or incentive plan then speak to your accountant or a specialist provider as the planning and set up is the most important part of the exercise and will not only provide your staff with the benefit you wanted them to have but you will have a much more motivated workforce.

Smaller business owners (especially husband and wife companies)

Setting up a limited company: in the sights of the taxman

From Gordon Brown (when chancellor) and the Inland Revenue's failed attempts to bully Mr and Mrs Jones into submission in the Arctic Systems case, to the more recent revelations about senior BBC presenters who have set up their own Limited Companies, it has always been an Inland Revenue ambition to prevent people working together from structuring their affairs such that they pay, overall, the least amount of tax.

Thanks to the House of Lords ruling in the Arctic Systems case it is still possible to have 'normal' family or close companies. With appropriate planning at inception, family members can be shareholders and can take advantage of the payment of tax efficient dividends out of taxed profits.

Dividends remain the simplest way to ensure that you keep the most from your business in a non-aggressive manner and the savings you can make could pay for your next holiday... or more! Don't forget that national insurance rates go up again next year so dividends will be even more effective for entrepreneurs.

Limited companies can be excellent places to shelter 40% or 50% income tax liabilities at 21% or 28% instead and make use subsequently of tax-efficient extraction plans.

So whatever the future might hold...

There is always room for sensible tax planning; talking to your advisers regularly to make sure you are up to date with any changes in legislation is vital.

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A business lesson for us all

This month, the finals of the Haines Watts Young Entrepreneur Award 2010 competition are taking place and the entries have been of a very high calibre. The final is promising to be an exciting event, writes Rodney Style (right), partner at Haines Watts

Watching the whole competition unfold, the defining characteristics of the successful entrepreneur have become crystal clear: pure energy, focus and dedication to the work ethic. Their personal business vision is their life blood despite their young age and it is their commitment to hard work and their positive attitude to challenge that is truly inspiring for us all.

The judges also know about the passion and commitment that is needed to succeed with your own business. The panel includes partners from Haines Watts, all of whom provide daily support and advice to businesses at every stage of their formation and lifespan, from start-up to sale/disposal. Nigel Botterill, another judge, is a 'serial entrepreneur' and founder of the highly-successful national 'Bestof' online business directory. Meanwhile, a speaker at the event, Stafford Carrington, showed his business promise from the age of eight at car boot sales and made his first million aged 26 as the owner of Impact IT.

All participants will provide a heady mix of thoughts and ideas at the finals and we will announce the winners next issue. As well as the prize money, Haines Watts is delighted to be helping the winners on their way with a year-long mentoring programme with one of our partners.

For further information about Haines Watts Young Entrepreneur Award 2010 see below.

Details: www.hwye.co.uk

Haines Watts
Local Matters, National Strength.

In Business Barometer survey, entrepreneurs reveal the anticipated impact of government cuts

Just one in eight entrepreneurs expect cuts to benefit their businesses. Scots are revealed to be the most concerned about government cuts. These are just two findings of RSM Tenon's Business Barometer.

According to the survey, nearly half (47%) of business owners in the private sector expect the impending government spending cuts to negatively affect their business' financial performance. Companies reliant on government departments as their main source of business are set to be particularly badly affected, with reduced government spending hitting sales and potentially damaging financial stability and staffing levels.

RSM Tenon's Business Barometer found that almost a third of business owners (29%) expect the cutbacks to negatively affect their company's staffing levels.

Potential opportunities

Despite their expected severity, some business owners believe they will benefit from the spending cuts, buoyed by the prospect that reduced government budgets could lead to an increase in the number of public sector activities that are outsourced to private businesses.

One in eight entrepreneurs (12%) expect to see an improvement in their company's financial position as a result of the spending cuts.

The south most optimistic

Nationally, only one in five entrepreneurs (19%) believes that their businesses will be left unscathed.

Business owners in Scotland were found to be most concerned about the spending cuts – 57% expect to see a negative financial impact on their business.

Entrepreneurs in the north west (50%) also believe that the spending cuts will have a negative financial impact, while one quarter (24%) of those in Yorkshire are pessimistic about the impact on staffing.

However, business owners in the south are most optimistic that they will be unaffected by reductions in public sector spending, with almost one in five (20%) predicting that these will have no impact on their business.

Richard Smith, head of risk management at RSM Tenon, said: "While some businesses dealing directly with government will inevitably be hit by the cutbacks, there are some clear opportunities for entrepreneurs to take advantage and fill the gaps resulting from reductions in government resources.

"Maintaining reduced spending levels will be a key priority for the public sector – this could well lead to an increase the number of public sector activities that are outsourced. Businesses that take the initiative and adapt their current practices to meet these public sector demands could therefore find themselves in a strong position in a year's time."

Home secretary celebrates Millgate Homes' success

Home secretary and Maidenhead MP the Rt Hon Theresa May paid a glowing tribute to the business achievements of Twyford-based prestige housebuilding company Millgate Homes, when she visited its head office last month

Home Secretary the Rt Hon Theresa May MP, is presented with a cheque for Feed The Children (UK) by Millgate Homes chairman Graeme Simpson (right) and managing director David Simpson (left).

The event marked a celebration of the firm's success as three-times winner of the coveted Best New Home of the Year title in the Evening Standard New Homes Awards, and also provided chairman Graeme Simpson with the opportunity to congratulate Theresa May on her appointment to one of the top posts in government.

Drawing parallels between the tough decisions that the company had had to make during the economic downturn with the cuts now been driven through as part of the government's spending review, the home secretary praised the team for their hard work.

"I am really pleased to be able to come and celebrate your fantastic success," she told the board of directors and employees. "It is particularly fantastic because I know life has been tough over the last two to three years.

"The Government is now catching up and as part of the process of the spending review, we are having to do the sort of things you have been doing as a private sector company; taking out costs and focusing on customer service delivery. We are now bringing in the rigour that you have had to exercise over the last few years and my congratulations on having come through in such style."

Simpson commented: "The huge task that the Government has ahead of it is very similar to what we have been going through ourselves and now we are really starting to see the results. We are hiring people again and we have returned to profitability, which is a big relief and there are rays of sunshine on the horizon, which is great to see."

After a tough period which saw Millgate Homes cut overheads by some 40% and take a stringent attitude towards cost control, the company has now emerged leaner and fitter and has just reported record profit levels. Among its current projects is an exclusive development of six luxury detached homes in Dark Lane, Wargrave, which will be launched in December.

As well as spending time talking to staff, the home secretary was also presented with a cheque for £1,000 for local charity Feed The Children (UK), for which she is a keen supporter. The charity focuses on helping youngsters, both at home and overseas, with a particular emphasis on developing sustainable communities, and part of this latest donation is likely to go towards improving healthcare for children in Uganda.

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Hidden dangers of improvements and alterations

A tenant of a commercial property may from time to time consider that improvements or alterations are necessary to its property to revive or stimulate better performance and growth. Alastair Goggins (right), dispute resolution partner at Gardner Leader LLP in Newbury, examines what a tenant and a landlord ought to be considering if the building is to be altered and improved in any way

The first consideration leads both parties to the lease. A lease of commercial property usually includes Tenant Covenants restricting alterations to the property either absolutely or subject to the landlord's consent. The Landlord and Tenant Act provides that, where the landlord's consent is needed, then that consent is not to be unreasonably withheld. The following principles warrant consideration:

- A landlord is not entitled to refuse consent on grounds that have nothing to do with a landlord's property interests.
- The landlord must prove that conclusions which led to the refusal were reasonable.
- The landlord cannot refuse consent just on financial loss alone.
- It is for the tenant to show that the landlord has unreasonably withheld consent.
- It is implicit that the tenant must make its proposals sufficiently clear so that the landlord can decide whether to refuse to give consent.

So, what should you do if you are the tenant and you believe that the landlord is unreasonably refusing consent?

- You could decide not to proceed with refurbishment, or you could proceed regardless, which could lead to legal proceedings against you.
- You could apply to the Court for a declaration that you are entitled to proceed with the improvement without any further consent. If this option is taken then it is for the tenant to prove that no further consent is necessary. You should make sure that the lease is being complied with and ensure that you have supplied the landlord with all relevant information needed to decide whether to grant consent or not. If the landlord does not respond within a reasonable time, then you are likely to succeed.

For the landlord it is important that, if one of its tenants applies for consent, the lease is first checked, any further information from the tenant is requested as soon as possible and then a written decision is provided expeditiously. It is evident from a number of recent cases that the Courts require landlords to act promptly to such requests, certainly no response after two months from the landlord would place the landlord in difficulty in defending any Court proceedings brought by the tenant. In certain circumstances landlords could find themselves with heavy penalties for not responding to the tenants request.

For further information about commercial property and commercial disputes, contact Gardner Leader's commercial or dispute resolution teams.

Details:
01635-508080
www.gardner-leader.co.uk

GARDNER LEADER solicitors

Asbestos is still with us

In an attempt to reduce the risk of the general population suffering health problems, and even death, from exposure to asbestos, the Government introduced the Control of Asbestos at Work Regulations, writes Matt Ward of Haslams

Matt Ward

Regulation 4 came into effect on May 21, 2004, since when all persons with repairing obligations in relation to non-domestic premises should have identified and be managing any asbestos within their buildings. To effectively comply with this, it is necessary for a premises to be inspected so that an asbestos audit can be prepared identifying where asbestos materials are located within the premises, such that they then can be monitored, repaired or removed in accordance with the subsequent management plan.

In the past, an asbestos audit should have been carried out in accordance with MDHS100 and included three types of survey (imaginatively referred to as types 1, 2 and 3). Following the coming onto force of the Control of Asbestos at Work Regulations 2006, there is a new guidance document relating to the inspection and preparation of asbestos audits known as HSG264. The main differences between this and MDHS100 are the reference to only two survey types (Management Survey and Demolition/ Refurbishment Survey), and the way in which certain parts of the subsequent asbestos audit need reporting. Any surveys prepared now should refer to HSG264 and not MDHS100.

On the assumption that the above has been complied with, and the occupier of a non-domestic premises is managing asbestos located within the building properly, there is one aspect of the regulation that is not understood. A specific obligation is placed on the 'dutyholder' to assist any other parties who have an interest in, or enter the premises, for whatever reason. Such parties could include the landlord, maintenance operatives, fire brigade, services technicians and potential new tenants. Consequently if a current dutyholder is vacating a building, and is asked for a copy of their asbestos audit and management plan for forwarding to a prospective tenant, then an explicit obligation is placed on the existing tenant to assist by providing all information they hold in relation to asbestos related issues.

The Government take the issue of asbestos and its effect on health very seriously indeed. The Health & Safety Executive are actively policing requirements of this regulation and if you have not received a visit from a Health & Safety Officer to date, it can be assumed that one is not far away. There is also the consideration that should any person who entered the premises subsequently suffer an asbestos-related illness, and it is then shown that relevant documentation with regards this regulation were not in place until some considerable time after the regulation came into force, then the relevant dutyholder will immediately be on the back foot in defending any resultant claim. For most premises the carrying out of the inspection for asbestos, and preparation of the subsequent audit report, is relatively straight forward and could save lives. Do you have yours?

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Chartered Surveyors
HASLAMS

Slough Trading Estate secures two more lettings

Milling International Marketing, a leading UK supplier of equipment for construction machinery, has signed a new five-year lease at SEGRO's Slough Trading Estate. The company has relocated from elsewhere on the Estate to new premises, taking a unit at 505 Ipswich Road, totalling 1,540 sq ft.

The move is the third for the company in recent years, as it has enjoyed a sustained period of growth whilst at the Trading Estate. The larger unit will be used to store machinery equipment, allowing increased flexibility in managing delivery and collections.

Martin Pink, area manager of the South East depot in Slough, commented on Milling International Marketing UK's decision to expand at the Estate: "Slough offers an excellent location, close to London which enables easy collection and delivery of products to London and the south east, but without the London rates."

Prompt Suppliers has also signed a three-year lease on new premises after relocating. The company will operate from a unit of more than 5,500 sq ft at 447 Perth Avenue, which will be used for storage and distribution of clothing and textiles. Anil Malhan, director of Prompt Suppliers, said: "Slough Trading Estate is a fantastic location for us, allowing the business to be linked to the rest of the UK."

David Drummond of SEGRO said: "These expansions are a key indicator of the positive sentiment we're seeing coming back to the market. We're witnessing a range of businesses growing on the Estate and we're committed to working in partnership with them to offer the best solution to their business space needs."

Companies struggling to expand along the M40

White Commercial Surveyors report that they are experiencing a shortage of suitable sites and buildings for a number of their current clients' business expansion plans.

Chris White, managing director of the company, said: "Although the general economy faces difficult trading conditions we currently have four high-value manufacturing and distribution clients, with requirements totalling over 800,000 sq ft who cannot locate suitable sites and buildings along the M40, from Bicester to Warwick (Junctions 9 to 15).

"These companies employ a significant number of skilled employees who live and work and also spend their incomes on the shops and services in the area. These companies will potentially have to look at alternative locations for their businesses if they cannot relocate successfully within the district - having a serious impact on the local economy generally."

White Commercial blames both the recession and 'credit crunch' which has restricted commercial property developers ability to develop new buildings and premises speculatively and also the restrained and legislative approach of the planning system in bringing sites forward for development.

White Commercial advises clients that the lack of modern production and distribution accommodation will require many businesses with large space requirements to work alongside development organisations on a 'design and build' basis providing buildings built to the occupiers specific requirements.

With the development/procurement process for 50 -100,000 sq ft buildings taking at least 12 months, businesses will need to be in a position to manage the whole process which will require professional guidance and a project team approach.

Negotiating the procedures maze

One of the more daunting challenges of exporting is negotiating what, to the uninitiated, can seem an impenetrable forest of procedural requirements and paperwork

UK Trade & Investment South East operates a free International Services (IS) helpline for companies with queries on export procedures, helping them see the wood for the trees and acting as a gateway to the knowledge and expertise of UKTI international trade advisers and services both in the region and a worldwide network of diplomatic posts.

Samantha Davies, deputy IS manager, says: "We're a one-stop advice centre, offering an export readiness check for companies new to international trade, and a helpline for those with specific queries on exporting technicalities. The most common queries concern duty regimes and export documentation."

Having the right documentation is vital to international trade, minimising risks and potentially costly delays. As well as a written contract between buyer and seller, specific documents may be needed for goods to pass customs and to calculate duty tariffs; and a licence is necessary to export certain goods – for example, items with dual civil and military purposes.

All exporters should check that they comply with HM Revenue & Customs requirements. HMRC's "Breaking down the Barriers" guide is a good starting point.

Most goods exported to other EU states attract no import duty. For markets beyond the EU, import duties may apply. Every type of good is identified by a code that determines the amount of duty to be paid by the importer.

"Many companies simply aren't aware of commodity codes and how to find them," observes Davies. "A call to HMRC's tariff classification team (01702-366077) will give you assistance for obtaining codes. For some markets, a binding tariff code is recommended. This is legally binding on customs administrations in the EU for up to six years and is intended to ensure the correct tariff classification of your goods.

"The EU Market Access Database is a good guide to tariffs and formalities in individual markets and any restrictions that may apply to your product."

Who pays the duty depends on the contract between the parties under Incoterms – globally recognised international commercial terms designed to clarify buyer/seller contractual obligations and avoid misunderstandings, eg FOB and free on board may mean different things to US and UK traders (www.iccwbo.org/incoterms/id3040/index.html).

UKTI can help with any issues that arise, including specific requirements for your commodity, such as the type of packaging or special certificates for particular markets. As Davies says: "A simple duty enquiry can branch into many different areas."

Certificates for the movement of goods are among the main subjects of export documentation enquiries.

"UKTI offers assistance with the quirks and complications of documentation," explains Davies. "For instance, exporters of meat-based products like pies and pasties may not know these are covered by the export health certificates required for international movements of livestock."

The EUR1 (completed by the exporter) is used to claim preferential rates of duty in countries where trade agreements exist with the EU, benefiting the buyer by making goods cheaper to import. For some non-EU markets, such as Turkey, an ATR certificate (available from chambers of commerce) offers similar arrangements.

For companies taking product samples overseas for exhibition and marketing purposes, a Carnet – a sort of product passport – can save much time and inconvenience. Applicable for some major non-EU markets, and valid for a year, it simplifies customs clearances, avoids charges and is stamped at the point of entry to and departure from the country being visited.

Reliable sources of detailed information on export procedures and documentation are: Business Link, www.businesslink.gov.uk, local Chambers of Commerce, and the British Chambers of Commerce (documentation).

Details: 0845-278-9600
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UK TRADE & INVESTMENT

Selling Britain by the pound

By any measure the travel industry matters to the UK in a big way but it is also very vulnerable, writes Richard Willsher of *The Business Magazine*.

Every year the world travel industry descends on London's Excel for the World Travel Market. Hoards of industry professionals from across the globe gather to meet, greet and thrash out travel deals together. The show highlights two important facts: that travel and tourism is worth a lot to the UK economy but that it is also highly competitive, with countries and destinations around the world fighting tooth and nail for travellers' dollars, euros and yen.

Visit Britain, which "markets Britain overseas and develops the visitor economy," says that tourism is the UK's third highest export earner behind chemicals and financial services. It adds that inbound visitors spend more than £16 billion annually and contribute over £3b to the Exchequer.

These are big numbers and yet the UK ranks only sixth among tourist destinations, in research conducted by the United Nations Tourist Organisation. Top of the list is France with 74 million visitors in 2009, second was the USA with 55m and Spain came third with 52m. After China and Italy, the UK had 28m. In addition, of the top 10 "markets" from which Britain's visitors originated, all but two, the USA and Australia, were in the EU. This suggests that the UK has had relatively little success in penetrating the emerging markets of China, India, Brazil and Russia among others that have massive populations and increasingly-wealthy middle classes for whom travel is an attractive activity.

Scope for growth there then. But despite its successes the travel sector as a whole has been hit by some major shocks. For example, in spring this year the Icelandic ash cloud brought the UK's airports to a standstill. Strikes such as those at British Airways haven't helped. Nor has the collapse of travel operators such as Sun4U. Increased travel taxes and fuel costs have upped the cost for Brits traveling abroad. Some of these factors may actually have assisted the domestic travel and tourism sector however, as more UK holidaymakers opted for staycations. The weakness of sterling against the euro and the dollar also made the UK a more attractive destination.

Factors such as these make the travel sector vulnerable to shocks. How many US tourists for example think twice about coming here after London's 7/7 terrorism attacks in 2005, New York's 9/11 and, even further back, the Lockerbie bombing?

Research by Euromonitor International suggests that for the UK, 2012 will be the year when UK tourism will really recover. The Olympics will be the attraction that will boost visitor numbers after several fallow years and will act as a catalyst for travel throughout the country besides host city London. The travel and tourism sector will be hoping for good weather, a spectacular Games and an absence of security alerts, among other things. It may be Britain's third biggest industry but travellers can easily be discouraged by events well beyond the control of those whose business it is to make travel attractive and profitable.

EMPLOYMENT LAW IN PRACTICE

with Doyle Clayton

the employment solicitors

Enhanced family friendly rights are coming

Piers Leigh-Pollitt, (right) a partner in Doyle Clayton's Reading office, takes a look at the enhanced rights due to be introduced in 2011 and explains what employers should do

Over the past decade, there has been a steady improvement in the rights of families at work, starting with better maternity leave and pay. In 2003, statutory paternity leave and pay, together with the right to request flexible working, were introduced and these are shortly set to undergo further transformation.

Current paternity leave entitlement is to two weeks off after the birth of a baby. However, the previous government introduced regulations entitling a father to share a maternity leave with his spouse or partner, affecting parents of children due on or after April 3, 2011.

Under these regulations, employed fathers will have the right to take up to six months' leave after the child is 20 weeks old and before the child's first birthday. If the leave would have fallen during the mother's statutory maternity pay period, the right to payment will also transfer to the father.

Following the election of the coalition Government, it was initially suggested that these changes might be scrapped. However on September 30, the employment relations minister, Edward Davey, announced that the Government was committed to family friendly working and that these regulations would remain in force as originally published.

Davey added that the Government intended to introduce more ambitious plans later in the year and that these regulations should be regarded as an interim measure.

In addition, there will be an extension of the right to request flexible working. Current regulations allow parents of children under 17 (or disabled children under 18) to request flexible working. From April 2011 this right will be extended to parents of children under 18, benefiting an estimated 300,000 more people.

Equality minister Lynne Featherstone said: "This will be a long process involving wide ranging change, and today's measures are the first stage in that journey". The Government has already announced that it intends to extend the right to request flexible working to all employees.

So what should employers be doing now?

- Review paternity and flexible work policies and procedures to ensure they take into account the changes from April 2011 onwards;
- Put systems in place to ensure the correct information about additional paternity leave and pay is captured – by using template notices and employee/mother declaration forms.

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DoyleClayton Solicitors

people

- Manches family law team is the only Thames Valley family law team to be ranked top in the recently published The Legal 500 directory. The Legal 500 stated as follows: "Manches LLP provides a 'top-quality service' with partner **Alexandra Lewis** and senior associate **Ruth James** identified as 'harder hitters' than the competition. Lewis is the only Thames Valley lawyer qualified to consult directly with children in mediated cases, and recently advised on a complex case involving assets in excess of £60 million. Meanwhile, partner and head of the family law team, **Jane Mitchell** negotiated a separation agreement involving assets worth over £30m". Mitchell added: "We are delighted with this feedback from our peers and clients which is a culmination of everything we have been working towards. We know our clients appreciate our committed, well informed and friendly approach and this ranking is a reflection of this. We expect to see some new challenges in family law and with our expanding team we are well placed to meet those challenges."

- **Paul Trincas** has been appointed head of corporate services at lawyers Charles Lucas & Marshall. Trincas has been with the firm for 29 years and a partner for 20 years. A specialist in commercial litigation, he is a leading expert on motoring law disputes, commercial and contractual law and dispute resolution. His appointment brings a wealth of experience to the firm's corporate services team, adding to the wide range of employment and corporate law services already available.

- **Helen Greenwood**, private-client lawyer at full-service law firm Rowberry Morris, has been admitted as a member of the much-coveted Society of Trust and Estate Practitioners (STEP) STEP is a leading worldwide professional body that aims to help families plan their long-term financial futures and comply with the often-complex tax rules surrounding trusts, estates and inheritance. STEP members undergo additional training, which strengthens their expertise and enables them to provide the highest standard of service in their field of work.

- Barclays Corporate has appointed **Trevor French**, 41, as corporate director for the Oxford area based at the firm's offices at Wytham Court, West Way, Oxford. French brings a wealth of corporate banking experience having worked in the industry for more than 24 years and will head up a team of nine relationship directors and a support team of 25.

- Thames Valley accountants and business advisers James Cowper has strengthened its audit team with the appointment of director **Alan Poole**. Poole has joined the company's Reading office from the Slough office of Grant Thornton where he was a senior audit manager, and he brings with him a wealth of experience and expertise in acting for large and multinational organisations.

- Following on from his ranking in the latest The Legal 500 and Chambers directories as one of the leading individuals in the Thames Valley, Manches' IP and commercial partner **Chris Shelley** has received a further accolade in being selected for inclusion in the IAM 250, a directory of 'The World's Leading Patent and Technology Licensing Lawyers' published by Intellectual Asset Management magazine. IAM 250 stated: "Chris Shelley of Manches has a broad IP practice focusing on non-contentious matters. He is an 'experienced and well established figure in the life sciences sector', say sources, and comes recommended as a 'practical, tough lawyer who really knows what he is doing." Of the 250 lawyers listed only 37 are from the UK, which is a reflection of Shelley's ongoing commitment to providing a first-class service to clients.

- **Alex Pratt**, founder and managing director of Aylesbury-based Serious Brands, has been appointed chairman of the Bucks branch of the Institute of Directors. Pratt, who started his business at 23, is committed to making Buckinghamshire the "entrepreneurial heart of Britain" and believes the IoD has a vital role to play.

- Market-leading professional services firm PwC has strengthened its Thames Valley practice in Reading with 25 new graduate joiners. PwC is recognised as the top graduate employer, having been voted by students as number one in The Times Top 100 Graduate Employers for an unprecedented seventh year in a row, as well as top Accountancy Employer of the Year for a record 10th year. In addition to its 2011 graduate recruitment scheme, the firm also intends to create 800 new jobs over the next 12 months - a programme which opens this month with over 1,200 vacancies nationwide.

- As part of its ongoing expansion, Penningtons Solicitors LLP has welcomed **Kay Taylor** to its clinical negligence team. Previously department head at Shoosmiths, Taylor joins Penningtons as an associate and will be based in the firm's Godalming office. At Shoosmiths, she was promoted to a managerial role in 1999 and led the clinical negligence team at its Basingstoke office. She has nearly 20 years' experience in clinical negligence and personal injury litigation and is a member of the Association of Personal Injury Lawyers.

- Leading business finance provider Bibby Financial Services (BFS) has strengthened its international trade finance team in the south with the appointment of **Tracy Grazioli** as business development manager.Grazioli has spent over 30 years in the banking sector and brings with her extensive experience from working at foreign banks in the UK and abroad. Before joining BFS, she spent 17 years as relationship director at the Bank of Ireland, and more recently she has worked at Delta Capital Trade Finance and China Export Finance.

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diary – november

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"Managing Challenging Customer Situations", Newbury College workshop.
Details: 01635-845229.

5

"Business Insight 2010", TV Chamber event, Ascot Racecourse.
Details:
www.thamesvalleychamber.co.uk

Business Leaders' Forum, TV Chamber event, Henley.
Details:
www.thamesvalleychamber.co.uk

8

"Stress Management", Stress Management Plus seminar, Reading.
Details:
www.assertyourself.eventbrite.com

9

"Thames Valley Technology", TV Chamber forum, Green Park, Reading.
Details:
www.thamesvalleychamber.co.uk

"Newly Self-employed", HM Revenue & Customs workshop, Reading.
Details:
0845-603-2691.

10

"Managing Conflict", Newbury College workshop.
Details:
01635-845229.

"Pitching for management not money", Angel seminar, London.
Details:
www.angelnews.co.uk

11

West Berks Business Lunch, TV Chamber event, Regency Park Hotel, Thatcham.
Details: 01753-870500.

12

FSB Thames Valley AGM & dinner, Eton Dorney.
Details: www.fsb.org.uk

15

"Newly Self-Employed", HM Revenue & Customs workshop, Reading.
Details: 0845-603-2691.

16

"Assertiveness", Newbury College workshop.
Details: 01635-845229.

"Building business with agents, distributors & international partners", UKTI South East seminar, Holiday Inn, Gatwick Airport.
Details: 0845-271-7400.

17

"Eco-design for Manufacturers", MAS event, Farnham Castle. Details: www.mas-se.org.uk

"Creative Problem Solving", Newbury College workshop.
Details: 01635-845229.

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Thames Valley Business Magazine Awards, Conference Centre, Madejski Stadium. Details:
www.businessawards.co.uk

"Becoming a Director", HM Revenue & Customs workshop, Reading.
Details: 0845-603-2691.

"Business Advice", HM Revenue & Customs open day, Gerrards Cross.
Details: 0845-603-2691.

"Food Safety", Newbury College workshop.
Details:
01635-845229.

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Business International lunch, TV Chamber event, Hilton Reading.
Details:
www.thamesvalleychamber.co.uk

23

"Becoming an Employer", HM Revenue & Customs workshop, Reading.
Details: 0845-603-2691.

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Reading Business Lunch, TV Chamber event, Penta Hotel.
Details: 01753-870500.

"Sport & Recreation", Bucks New University community lecture, High Wycombe campus.
Details: 01494-522141.

25

"Meet the Chamber", TV Chamber event, Kassam Stadium, Oxford.
Details:
01753-870500.

26

"Political Working Lunch", TV Chamber event, Microsoft HQ, Reading.
Details: 01753-870500.

"Fast track to more customers", marketingco workshop, Wallingford.
Details: www.marketingco.biz

Slough Business Breakfast, TV Chamber event, Copthorne Hotel.
Details: 01753-870500.

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"Sales & Marketing", TV Chamber forum, Newbury Racecourse.
Details:
www.thamesvalleychamber.co.uk

december

1

"Introduction to Import & Export", HM Revenue & Customs workshop, Reading. Details: 0845-603-2691.

2

"Property & Planning", Oxon Chamber Forum, Blake Lapthorn, Seacourt Tower, Oxford. Details: www.thamesvalleychamber.co.uk

3

"Corporate Keynotes", TV Chamber event, Hilton Reading. Details: www.thamesvalleychamber.co.uk

6

"Becoming an Employer", HM Revenue & Customs workshop, High Wycombe. Details: 0845-603-2691.

7

"Managing Poor Performance", Newbury College workshop. Details: 01635-845229.

"Setting up a Limited Company", HM Revenue & Customs workshop, Reading. Details: 0845-603-2691.

8

"Time Management & Delegation", Newbury College workshop. Details: 01635-845229.

9

"Health & Safety", Newbury College workshop. Details: 01635-845229.

10

Networking breakfast, IoD event, Cliveden, Taplow. Details: www.iod.com

"Fast Track to More Customers", marketingco seminars, Wallingford & Marlow. Details:
www.marketingco.biz

12

Wine Tasting Dinner, IoD event, Compleat Angler, Marlow.
Details: admin.berks@iod.net

13

"Stress Management", Stress Management Plus seminar, Reading.
Details:
www.assertyourself.eventbrite.com

15

Thames Valey Regus Business Seminar & Exhibition, Arlington Square, Bracknell. Details:
www.thamesvalleychamber.co.uk

16

"Principles of Risk Assessment", Newbury College workshop.
Details: 01635-845229

To have your business event included in this monthly diary, email details to: editorial@elcot.co.uk