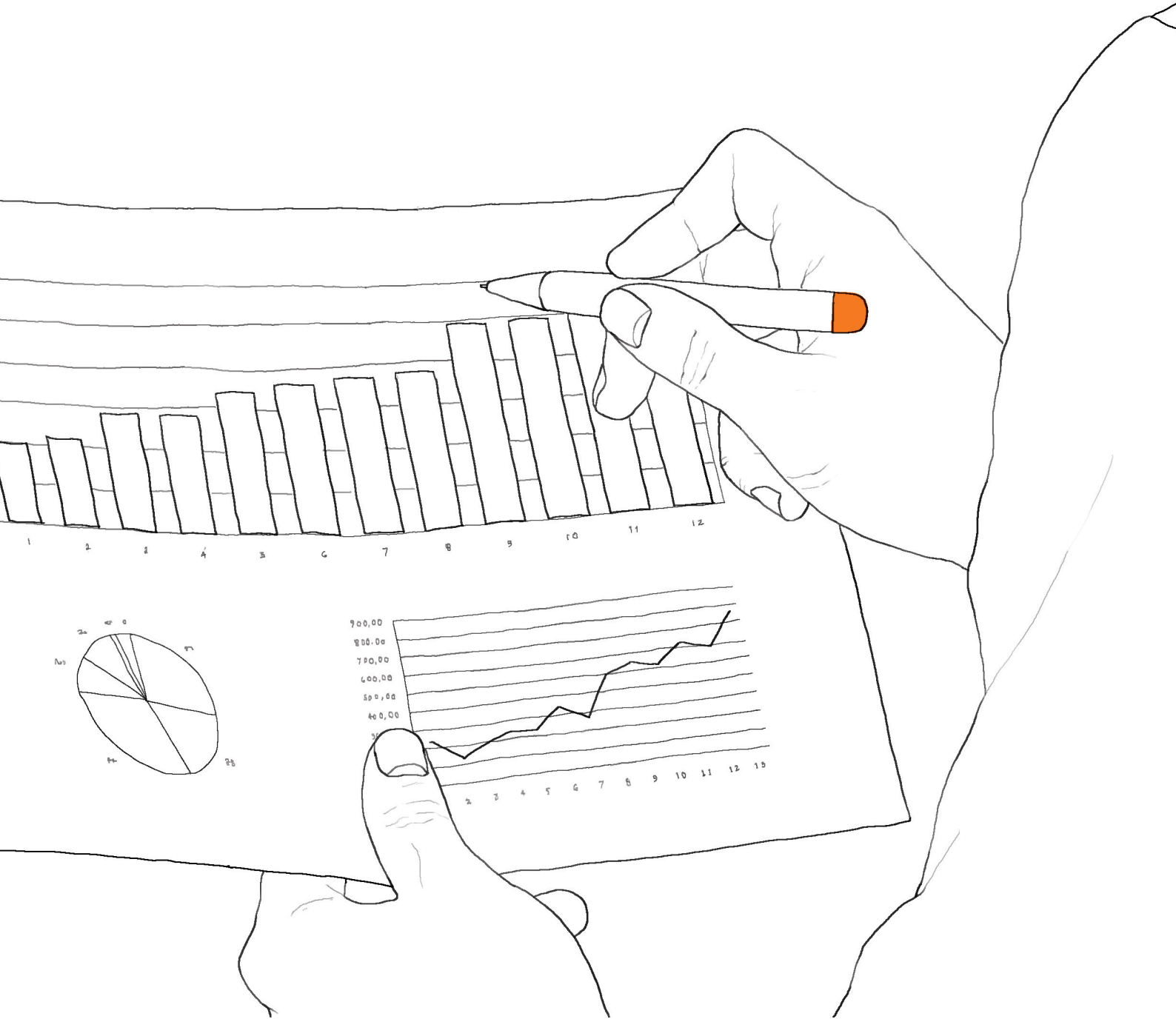




BIRCHAM DYSON BELL



# ENTREPRENEURS OPTIMISM INDEX

Edition 5 | Autumn Statement special

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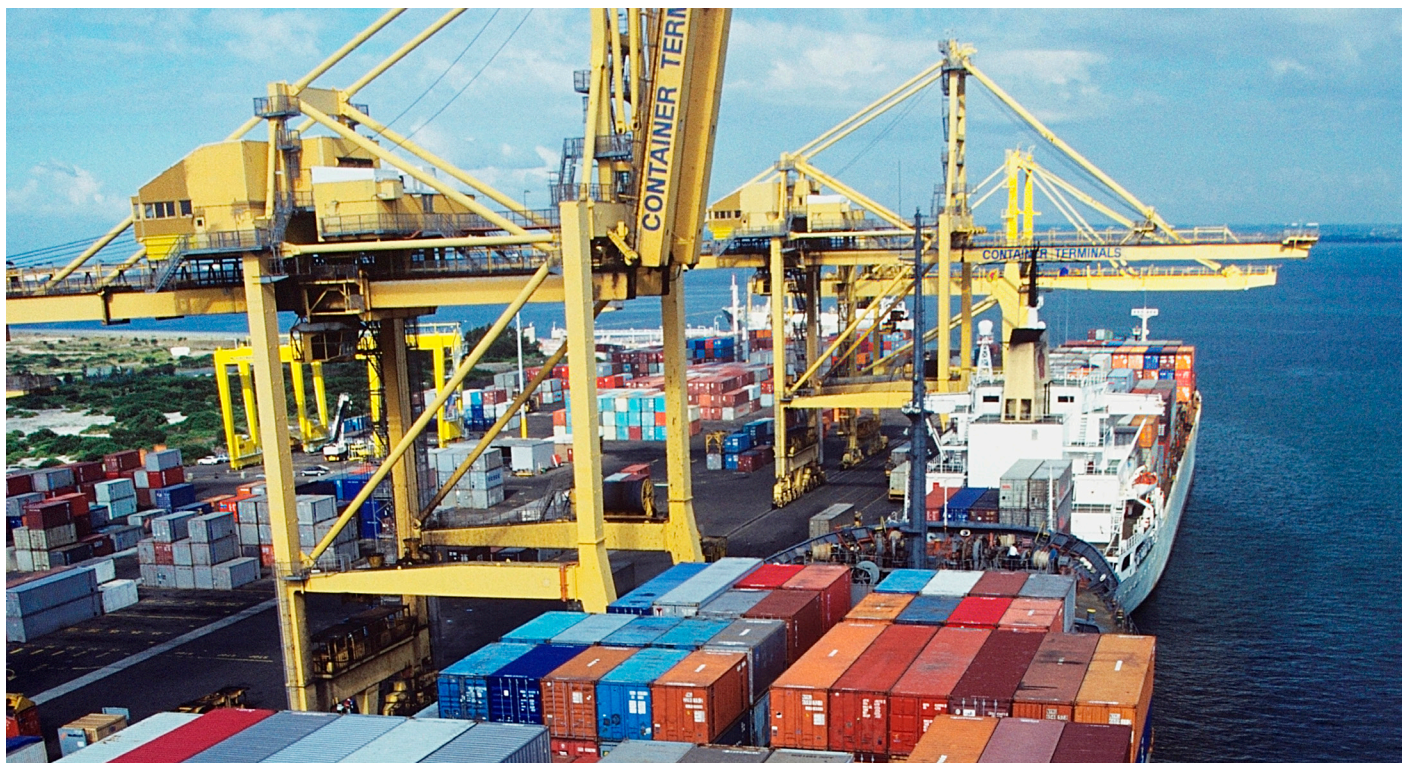
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# BRITAIN MEANS BUSINESS

As the UK prepares to face a post-Brexit world, the emphasis is not just on 'business as usual' but also on preparing the economy so that businesses can make the most out of the opportunities presented by operating outside of the EU.

The campaign to leave the EU featured the economic benefits, not least the increasing opportunities to trade freely and export around the world, but as the Chancellor, Philip Hammond, outlined in his Autumn Statement delivered on 23 November, the path to growth is not without its threats.

One of the main challenges will be to help businesses export. Many are simply not used to stepping into this environment, of the businesses we spoke to many recognised the opportunities that exist overseas for British companies. Too often, however, they lack the finance or the knowledge about where the opportunities are and how to grab

them. This is what the measures in the Autumn Statement were, at least in part, designed to help rectify.

Of those we spoke to many recognised that businesses see a variety of ways to potentially finance their exporting activity, ranging from their partner company paying or securing a bank loan through to using an overdraft and, maybe reflecting an entrepreneurial spirit, using a credit card.

The Chancellor announced that more investment would be needed for the British Business Bank to ensure they can provide finance to help companies expand, alongside a doubling of capacity to support exporters through UK Export Finance.

This would ensure that 'no viable UK export should fail for lack of finance or insurance from the private sector'.

Investing in infrastructure and innovation, both of which are needed to boost productivity, were also at the

**“The campaign to leave the EU featured the economic benefits, not least the increasing opportunities to trade freely and export around the world.”**

Hollie Gallagher, Head of Entrepreneurs Team, BDB

heart of the Autumn Statement, not least the establishment of the National Productivity Investment Fund. There was also £1 billion to invest in full-fibre broadband and funding to trial 5G networks.

The Government's agenda is to get British businesses ready to fight in a more global environment but it recognises the need to support them in doing that.

# SNAPSHOT OF THE AUTUMN STATEMENT

National Living Wage to increase in April 2017 from:



Corporate Tax to be cut to



by 2020

New national productivity investment fund of



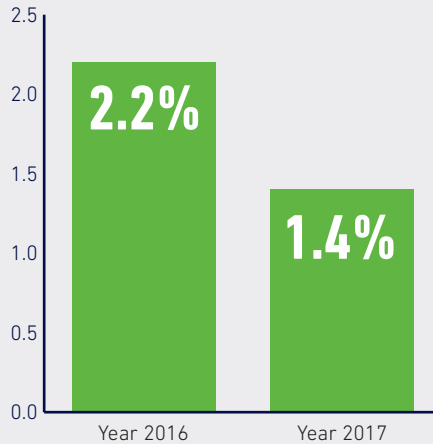
to be introduced over 5 years

**£390m** made available for low emission and driverless car technology



venture capital fund made available to support technology firms

Growth forecast for 2017



**£3.15bn**

to build 90,000 affordable new homes in London



**£1.4bn** to deliver **40,000** additional affordable homes



**£2.3bn**

housing infrastructure fund to support building of up to 100,000 homes in high demand areas



**£1.8bn**

investment in Local Enterprise Partnerships



Additional **£1.1bn** for English local transport network



**£3bn**

homebuilder's fund for **200,000** new homes and **£2bn** to build on public sector land



**“The spending on infrastructure will be welcomed across the whole of the country.”**

Stuart Thomson, Head of Public Affairs, BDB

**“There is a clear rationale for incentivising the take up of things like gym membership and health benefits.”**

Nicholas Le Riche, Employment Partner, BDB

**“The rate rise...will increase the financial burden on occupiers and consequently diminish Landlord returns.”**

Jonathan Fewster, Real Estate Partner, BDB





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### **STUART THOMSON, HEAD OF PUBLIC AFFAIRS, ON THE ABOLITION OF THE AUTUMN STATEMENT**

'The biggest change announced was the abolition of the Autumn Statement itself. Otherwise this was not a speech full of large pronouncements. Whilst Hammond may wish to simplify the tax system, just lessening the opportunities for Chancellors to fiddle will be insufficient. Future Chancellors will not be able to resist making tweaks and changes to make themselves look in control. There are very few big set piece political occasions for Chancellors to show what they are made of. Future Chancellors will feel less constrained than Mr Hammond.'

'There was a remarkable consistency of approach between Hammond and his predecessor, George Osborne – across infrastructure, devolution, and tax. This was not an Autumn Statement that signalled big policy shifts, but will no doubt reassure the market.'

Hammond continued the emphasis on helping the low paid and the 'political' approach begun under Osborne.

The spending on infrastructure will be welcomed across the whole of the country but its justification is no longer focused on rebalancing the economy but it is now to help boost the UK's productivity as well. Some of the sums of money mentioned sounded impressive but need to be spread across all parts of the country.'



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### **NICHOLAS LE RICHE, EMPLOYMENT PARTNER, ON THE TAXATION OF EMPLOYEE BENEFIT SCHEMES**

'The basis for the Chancellor's assertion that these type of employee benefit schemes are unfair is not entirely clear. It could be argued that there is a clear rationale for incentivising the take up of things like gym membership and health benefits, which clearly promote health and wellbeing and may ultimately save money for the Treasury. It is also unclear why the Chancellor has singled out tax savings on salary sacrifice schemes when the same logic could be applied to any number of corporate or personal tax incentives. These steps are probably simply a consequence of the Chancellor having to find cuts ahead of potentially tougher economic times after the Brexit referendum.'



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### **JONATHAN FEWSTER, REAL ESTATE PARTNER, ON THE ANTICIPATED BUSINESS RATES REVALUATION ANNOUNCEMENT**

'The rise in business rates will have a major impact on the commercial property market with rates being one of the highest expenses for occupiers after rent and staff costs. The rate rise, based on a sharp rise in property values between 2008 and 2015, will increase the financial burden on occupiers and consequently diminish Landlord returns. There may be a silver lining for occupiers who are prompted to exercise greater scrutiny in appealing ratings decisions but these are likely to be minority cases.'

# THE LEP CHALLENGE

Written with Deborah Smith, Director, Promodo Ltd

**The introduction of Local Enterprise Partnerships (LEPs) initially received a mixed reaction. They are now though an established part of local leadership but that does not mean the challenges are lessened. In fact, with a new Government and Prime Minister in place, the pressures have increased.**



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Theresa May's Government have to date implemented a 'scorched earth' approach to much of what David Cameron and George Osborne had done as Prime Minister and Chancellor. Despite only having a General Election a little over a year ago, May's Government is to all intents and purposes completely new.

That means the old priorities and policies are all under scrutiny. The Northern Powerhouse was one of the first parts of the approach to devolution which was openly questioned. May's apparent lack of enthusiasm even forced the former Chancellor and architect of the Powerhouse, George Osborne, to launch a new think tank aimed at holding the Government to account on devolution to the North.

**“LEPs are not immune from the questioning attitude of the new PM and the entire set-up of the Government complete with new ministers.”**

Stuart Thomson, Head of Public Affairs, BDB

Chancellor Philip Hammond's first Autumn Statement did its best to commit to the project, with the launch of a new strategy, but critically to other initiatives around the country, across the Midlands, the Oxford-Cambridge corridor and Scotland. This was an attempt to rebalance devolution.

LEPs also received specific allocations in the Autumn Statement from the Local Growth Fund with improving productivity very much in mind.

But LEPs are not immune from the questioning attitude of the new PM and the entire set-up of the Government complete with new ministers.

## **SO WHAT ARE THE CHALLENGES FACING LEPs AND WHAT CAN THEY DO ABOUT THEM?**

Maintaining the enthusiasm of the private sector – the relationship with business has always made LEPs slightly different from other parts of local Government. There is, however, significant risk, as well as opportunities, now in the economy as a result of the Brexit vote. This could mean that business has less time for core activities meaning LEPs could suffer.

The need to build and maintain a reputation – businesses know and understand the value of reputations, as do local authorities. However, time and, already stretched, resources need to be invested in reputations. A strong reputation will help when dealing with Government and local bodies and will also reassure businesses that you really mean business.

Policy positions – Government, especially recently created ones such as this, needs a constant flow of new ideas. A positive policy engagement with Government can be tricky to get right but the age of austerity saw cuts to the policy development and research side of the civil service. This provides LEPs with an opportunity. Brexit will take all the time of the civil



service as well as politicians so constructive engagement through the development of policy initiatives will work well.

Competition – there are lots of local voices all trying to get the ear of Government, it is a crowded market place. LEPs need to demonstrate their worth, individually and collectively, whilst also not being smothered by the power of some of the big cities.

The end of devolution? Despite the most recent comments, there remains a real danger that this Government is simply not as committed to devolution. LEPs are not alone in needing to show business and central Government that devolution is more important than ever post Brexit and that the European issues should not be used as an excuse for increased central control.

A lot of these challenges can be met head-on through effective engagement and communications. If an LEP thinks too narrowly about its own positioning either locally or nationally then it risks being cast adrift.

**“A strong reputation will help when dealing with Government and local bodies and will also reassure businesses that you really mean business.”**

Stuart Thomson, Head of Public Affairs, BDB

Government is still crying out for the type of private sector engagement that LEPs bring so this core element should never be forgotten. Especially in this period when the approach to Brexit is being decided upon, LEPs can really represent what local businesses need. This gives them a unique opportunity and position.

It is also the responsibility of every LEP to ensure that the eye of Government does not drift away from what they and their local areas need.

LEPs need to keep the pressure up.



# MY LIFE AS AN ENTREPRENEUR

Heritage combined with experience has given Anuj Kapoor the foundation for an astounding community business. As Founding Director of Himalayan People, Anuj has captured the true essence of an entrepreneur – seeing a challenge as an opportunity and using his experience to make a difference to others. Anuj talks to BDB about his life as an entrepreneur.



Anuj Kapoor (Founding Director Himalayan People)

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## HOW WOULD YOU DESCRIBE HIMALAYAN PEOPLE?

I would say we are an end to end business solutions provider, elevating undervalued sectors from the Himalayan region, including produce, foods, crafts and arts. Using our online and offline resources, we connect businesses to the market leveraging our expertise in a range of areas such as product and brand development.

## WHAT MADE YOU WANT TO BECOME AN ENTREPRENEUR?

I previously worked in banking with Citigroup and then EFG, but knew that I wanted to do something on my own. I've always enjoyed problem solving, whether it is in a business or social context, and I enjoy taking on challenging goals. To do my own thing meant that I was able to learn and grow as an individual, in order to tackle the challenges I had observed in my many visits to the Himalayas and to achieve more than a corporate or financial goal. While working in London at the time, I could see the growing trends and developments coming from the technology sector and I had been following the cultural changes brought on mostly by the impact of Silicon Valley. Barriers to starting a business were gradually decreasing. There were many interesting problems to solve and opportunities available in different parts of the world and I was keen to seek out growth opportunities anywhere.

Sometimes, if you find the right partners in different economies you can grow much more efficiently and quickly by expanding your business operations

away from home as there can be attractive markets, lower cost access or funding advantages that one could and should explore fully. I really felt that I knew enough to make a good attempt at it, and I had a few ideas that were clear in my mind to take that step forward.

## DID YOU FEEL NERVOUS STARTING ON YOUR OWN?

Not really, it just felt like the right thing to do. I was in fact offered a promotion at work at the time, which I declined. I knew that I wanted to invest the next 3 to 4 years learning to build a business ground up. The slow down in banking made the decision to leave easier. I knew the skills I wanted to learn to grow further, and that was key to me.

**“I've always enjoyed problem solving, whether it is in a business or social context, and I enjoy taking on challenging goals.”**

Anuj Kapoor, Founding Director Himalayan People

I never saw it as a risk, and I guess it depends on how you define risk. To me, I felt like it was a risk to stay where I was and to not grow or develop further. I wanted to move forward and become part of an entrepreneurial community. When I left, it felt like I was graduating again and starting a new job, and in the same sense when you graduate you may not know exactly the outcome, but you go ahead and get on with the job.



## HOW DID YOU START OUT AND DID YOU HAVE ANY SUPPORT?

I was born in the Himalayas and travelled there often. I knew the area and always felt the communities living there could use greater technical expertise to access global markets. I wanted to offer them a solution, and I saw a synergy between my skills and what they as businesses and makers had to offer.

I didn't seek external financial support or funding, and I didn't approach any of those services at the time, but instead I chose to use my personal and professional networks that I had built up over time. You exchange ideas with people close to you and get more of a realistic and considered view or recommendation. I knew my network was strong enough to go out and set to work with.

I then started with 2 other partners (3 including myself) to set up a company FIVE BENCHES in India and they helped build the product, the logistics and gain local market access.

## HOW HAS YOUR BUSINESS DEVELOPED AND HAS IT BEEN AS YOU EXPECTED?

It's not as expected but it's close enough. The biggest difference has been the time it has taken to get to this point. When some mechanics didn't work you just had to continue with an altered approach and give yourself time to succeed. For example, initially I thought I would only build a sales and distribution platform based on an aggregation model without any product intervention, but that quickly changed. A lot of time was spent doing the ground work related to refining the products, which I initially estimated would take 20% of my time and in reality ended up taking more than 50%. 'Asset allocation' is how I would phrase this, where you evolve a mechanism for allocating your and your team's resources across the

various tasks required to achieve different outcomes within a time frame and in a certain sequence.

## WHERE IS YOUR BUSINESS NOW AND HOW DO YOU SEE IT IN THE FUTURE?

Three and a half years in and we have achieved a lot. Initially you don't even know if you will succeed, and now we not only have succeeded in having our brands accepted in the market but the partners we have in place are incredible. What I thought we would achieve in 6 months ended up taking a year, so timeline has shifted a lot but we have expanded to deliver even more than anticipated.

We haven't hit all the estimated financial benchmarks that I originally thought, but instead we've built a narrative into our thinking to suit different sectors better. Growth has been more organic. In terms of recruitment, we try not to directly employ too much staff but set up arms length cooperatives and partnerships instead, as this is a lot about community learning and being self-sufficient. I always wanted to keep the structure lean to ensure costs were low and greater contributions are directed to the communities involved.

Over the next few months we will welcome our fourth partner who will help us take the business further and expand our operations.

## WHAT ABOUT THE FUTURE FOR YOU?

I will stay with HIMALAYAN PEOPLE long into the future. I have so many ideas for the business and outside of it, that I can't see myself retiring from this. I do think I'd like to develop another commercial start up based in London sometime in the future. As an entrepreneur you look for opportunities to innovate and create everywhere. With Himalayan People the goal is to make it a fully-fledged going concern that becomes independent of any one person,

including me. As we bring in greater specialists it will become less reliant on me. My strengths are more geared at the start up stage, being able to find a problem, take it from 0 to 1 and turn it into a successful business.

## IF YOU COULD GO BACK, WOULD YOU CHANGE ANYTHING?

The main thing that stands out to me is the timeline. You can get excited at the beginning and think you can do everything in a rush, but giving yourself time and setting realistic expectations of others is as important as the enthusiasm and energy. Give yourself the space needed to be a success in your domain and you will get there.

**“Initially you don't even know if you will succeed, and now we not only have succeeded in having our brands accepted in the market but the partners we have in place are incredible.”**

Anuj Kapoor, Founding Director  
Himalayan People

# UKEF HELPS UK FIRM FIND FINANCE FOR GROWTH IN ITALY

**UK Export Finance worked with RBS to help Chemian Technology access working capital to meet growing international demand for its products.**

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Darlington-based Chemian Technology develops and manufactures ingredients for the pharmaceutical, chemical and cosmetic industries. With an annual turnover of £2 million, the SME exports to 20 markets, and overseas sales make up 80% of its revenue.

One of its most successful export products is Citrepel®, a wholly natural active ingredient used in insect repellents. With the outbreak of the Zika virus in a number of countries, international demand for this product has grown significantly. For Chemian, this has created a challenge: finding the funding required to deliver ever-growing volumes to customers.

By working with UK Export Finance and its bank, the Royal Bank of Scotland (RBS), Chemian has found a solution. When Chemian won a contract worth £0.5m with an Italian customer (equal to 25% of its annual revenue), it approached RBS to secure a working capital loan.

With the support of a UKEF guarantee, Chemian was able to access substantially higher levels of funding. This allowed Chemian to fulfil this significant export opportunity at the same time as putting resources towards other overseas business activities.

Ian Dell, owner of Chemian Technology said:

'The support we have received from UK Export Finance and RBS has been invaluable. Their backing has allowed us to be more ambitious in our export activities, making a real difference to our ability to grow our business.'

Paul Wright, Export Finance Adviser for Yorkshire and the Humber said:

'UK Export Finance is here to help businesses of all sizes grow their businesses overseas. This is a great example of how UK Export Finance can help a company that has international demand for its product and the capability to grow its overseas sales, but needs financial support to realise those ambitions.'

Kevin Torkell, International Trade Director at RBS:

'RBS has a longstanding relationship with Chemian and it is a valued customer with great potential for growth. With the introduction of UK Export Finance's comprehensive support, we were able to increase the funding available to a valued customer.'

**“One of its most successful export products is Citrepel®, a wholly natural active ingredient used in insect repellents.”**

Ian Dell, Owner, Chemian Technology



# GET YOUR BUSINESS BREX-FIT



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**“Even though there is likely to be a period of at least two years until the UK officially withdraws, contracts may be affected by the uncertainty in the market.”**

Penny Bygrave, Senior Associate, BDB

## TAKE OUR COMMERCIAL CONTRACTS HEALTH CHECK

From termination clauses, to pricing mechanisms and territorial restrictions, our health check will quickly establish if your business will be affected by Brexit, or indeed may already be.

Many UK businesses will have commercial arrangements in place that have their roots in EU law. Even though there is likely to be a period of at least two years until the UK officially withdraws, contracts may be affected by the uncertainty in the market. Our high level review will focus on any provisions that are significantly influenced by EU regulations and which may be expected to change, depending on the agreement reached between the UK and the EU.

## WHAT IS INVOLVED?

The health check includes four simple steps:

- your self-assessment using our short questionnaire which will enable both you, and us, to determine the likely areas that need addressing;
- upon receipt of this questionnaire, our team will assess whether you

would need a health check meeting and the framework for discussion. At this point we will be able to give you a reasonable estimation as to what our meeting, health check report and recommendations would cost, and also any further advice that may be needed;

- the health check meeting (around an hour) with at least one of our specialists; and
- we would then prepare a short report identifying any areas of particular concern and where improvements might be made.

## HOW MUCH WOULD THIS COST?

There is no obligation during the preliminary fact-finding process. Once we've gathered this information, we would then offer you a fixed fee for the meeting, report and recommendations.

During your health check meeting we would then plan ahead for ongoing compliance at minimum expense.

## WHAT AREAS ARE LIKELY TO BE OF CONCERN?

- Agency regulations;
- Block exemptions with regards to distribution agreements;
- Currency clauses;
- European Social Fund (ESF) funding;
- Goods that meet EU standards;
- Insolvency;
- Intellectual Property rights, particularly Trademark registrations and licensing agreements; and
- TUPE (Transfer of Undertakings (Protection of Employment)) and contractual arrangements regarding liability.

Take our health check at [bit.ly/BDBCommercialContracts](https://bit.ly/BDBCommercialContracts)



## MORE INFORMATION / CONTACT DETAILS

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