

Deal makers

MAGAZINE

Corporate & Commercial

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Don't let your deals be shipwrecked

From buying a famous ocean liner (on the bottom of the sea) to robot lawnmowers, find out what our team has been up to

Business, as usual.

WELCOME to our new look Dealmakers bulletin, in which you'll find information about some of the deals the Harper Macleod team has been doing recently (including shipwrecks), as well as information we hope you'll find interesting.

We had hoped that this launch would have taken place with Brexit behind us, one way or another, but given what has gone on over the past three years that was overly optimistic. Who knows what's going to happen next post election. That said, our experience in that same period has told us that Bojo, Brexit and Britain's place in the world are not the first things the businesses we advise are thinking about on a daily basis. You've been getting on with business for years now in a climate of uncertainty and political sideshows.

There are all sorts of indicators of how the economy is doing, and statistics for overall corporate activity levels, but sometimes you have to rely on what you're seeing first hand. We have been absolutely inundated and even the traditional summer drop off didn't occur this year. In fact, we've been recruiting corporate lawyers and that's the best indicator I know for the state of play.

It's tempting to see increased disposal activity as being linked to Brexit, in that people could be worried that it could impact on their ability to sell, or the value they'll receive for their business – but in truth no-one is actually saying that to us.

Instead, activity is being driven by factors which have been pretty consistent in the midst of all the back-and-forth over Brexit. There's a lot of investment money around and consolidators are putting that to work, with the healthcare sector standing out a mile in that regard. Whether that's vets, pharmacies, dentists, care homes, they are attracting investors who seem to be enticed by areas where the ongoing revenue streams are almost guaranteed.

Another driver is that people are still taking advantage of the capital tax regime and exiting businesses that they have grown. The potential for employee ownership is also taking hold and this can be attractive for dual reasons – it reduces the capital tax bill on a sale while also aligning with the ethical business models which seem to be becoming ever more important.

We advise a lot of businesses in the modern rural economy, in geographies or sectors which may be less attractive to trade or third party buyers and the employee ownership model is particularly suited to them. Vendor induced management buyouts, which while not pure employee ownership have an element of that within them, are also still popular.

To find out more about what our team can do for you, visit harpermacleod.co.uk or get in touch with any member of our team.

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Recent deals.

From massive energy transactions to cutting edge tech investments, our team has had it covered

Renewables

INVESTMENT

abundance.

Record peer-to-peer fund raising campaign

Abundance

Lead Partner: Paula Skinner

We acted on behalf of the UK's leading peer-to-peer ethical investment company platform Abundance in relation to its largest fund raise to date by closing a record £7 million investment round for Orbital Marine Power to construct the world's most powerful tidal stream turbine.

Around 2300 individual investors invested an average of £3000, with particularly strong interest from investors in Scotland who put in 50% more on average at £4500. Orbital Marine Power will use the funds to build its first production model of an innovative floating turbine platform that can be towed, installed and easily maintained.

Harper Macleod worked closely with the Abundance team to complete the transaction and have a number of other potential projects in the pipeline with Abundance.

This transaction was led by Corporate Partner Paula Skinner with support from Tony Cameron and Ricardo Matteo (Banking), Catriona Kemp (Projects) and Gail Chalmers (Business Support Services Manager).

What they said about us.

"The team, and indeed the wider firm at Harper Macleod have been hugely supportive of what Abundance is doing and their detailed knowledge of this sector and this type of investment was crucial in closing what was our biggest deal to date. Harper Macleod were able to advise us on all aspects of what was a complex transaction and their professionalism and willingness to go the extra mile were invaluable. Environmental and social investment is an area that continues to grow and we are delighted to have the firm on our side as we look to do more offers on exciting projects such as this one."

Mark Francis, Investments Director at Abundance

ACQUISITION

Powering purchases

Wind Renewables Income Fund

Lead Partners: Paula Skinner & Omar Ali

We advised Alpha Real Renewables, investment manager for WRIF, on the purchase of the entire issued share capital of Windvestments Easter Drumclair Ltd, a 2.0MW project consisting of four operating, FIT accredited single turbine sites capable of powering circa 1900 households. We advised on all corporate, energy/property, planning and construction related matters. Our team also acted for Alpha Real Renewables on the purchase by WRIF of the entire issued share capital of Skellyton Energy Limited, a 0.5MW project. Our corporate team for both deals was headed by Paula Skinner and Louise Torr with support from Gail Chalmers. The energy/property team was headed by Omar Ali with support from Lewis Hendry and also input from planning specialists Roslyn MacDonald and Peter Ferguson (Partner), along with Michael Conroy on construction.

Shipping

ACQUISITION

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Buying a shipwreck

Shetland Amenity Trust

Lead Partner: Craig McKerracher

We advised the Shetland Amenity Trust on the acquisition of the shipwreck of the RMS Oceanic from Robertsons (Lerwick) Limited. The Shetland Amenity Trust was created in 1983 with the aim seek to preserve and enhance Shetland's cultural and natural heritage in partnership with a range of local, national and international agencies.

The RMS Oceanic was a transatlantic ocean liner built for the White Star Line. The ship sailed on its maiden voyage on 6 September 1899 and was the largest ship in the world until 1901. At the outbreak of WW1, the ship was converted to an armed merchant cruiser and was commissioned into Royal Navy service on 8 August 1914. On 25 August, the ship departed Southampton to patrol the waters from the north Scottish mainland to Faroe. On 8 September 1914, the ship ran aground and was wrecked off the island of Foula.

Our team advising on the sale was headed by Craig McKerracher with assistance provided by Jennifer Sillars. Specialist input on shipping and property aspects was provided by Tony Cameron (Banking) and Paul Rutherford (Lerwick) respectively.

Manufacturing

ACQUISITION



All sewn up

Laurence Odie (Knitwear) Limited

Lead Partners: Chris Kerr/Craig McKerracher

We advised Laurence Odie (Knitwear) Limited on its transition into employee ownership via the sale by Laurence Odie of the entire issued share capital of Laurence Odie (Knitwear) Limited (LOKL) to The Laurence Odie (Knitwear) Employee Ownership Trust (EOT).

LOKL is a traditional knitwear manufacturing business based in Sandwick in the Shetland Islands. The transaction was supported by Highlands and Islands Enterprise and we worked closely with Ownership Associates and LOKL to facilitate the transaction.

Laurence Odie plans to remain with the business and gradually hand over the reins until he retires a few years from now. The transaction ensures that the operations of LOKL will stay in Shetland under the stewardship of its employees. The employees are excited about protecting LOKL's legacy whilst also taking its business forward into the future.

Our role in the transaction was to provide all corporate legal advice LOKL, including drafting the share purchase agreement, the deed of trust for the EOT and associated ancillary documents on behalf of LOKL. Our team advising on the sale was headed by Chris Kerr (pictured top right) and Craig McKerracher with Corporate assistance from Gail Chalmers (Business Support Services Manager).

What they said about us.

"Chris Kerr, supported by Craig McKerracher, ensured that the process went as smoothly as possible. They guided us through the transaction and explained it all so well that we knew what we were agreeing to. We particularly appreciated that they took care to listen to what we wanted, incorporating specific requests into the deal. I would recommend any business owner considering their succession plans to speak to the team at Harper Macleod."

Laurence Odie, Director / Shareholder, Laurence Odie (Knitwear) Limited

Professional services

MERGER

Current accountancy

Scott-Moncrieff

Lead Partner: Donald Munro

We advised Scottish accountancy firm Scott-Moncrieff as part of the transaction which saw it merge with Campbell Dallas to create one of Scotland's largest accountancy and business services firms.

The deal will see Scott-Moncrieff, which has offices in Edinburgh, Glasgow and Inverness, continuing to operate and trade as Scott-Moncrieff as part of a larger international accountancy network. The joint Scottish operation will have and a combined annual fee income of over £40m. In October 2017 the Harper Macleod team had advised Campbell Dallas on its acquisition by Baldwins part of the Cogital Group, a business services provider.

Together, Scott-Moncrieff and Campbell Dallas will operate out of 11 offices in Scotland with 45 partners and more than 500 staff.

Harper Macleod's team on the transaction included Donald Munro (Partner, Corporate), Paul Macdonald (Senior Associate, Corporate), Scott Milligan (Partner, Employment), Limor Wolfe (Partner, Property) and Lamia Al-Lamki (Solicitor, Corporate).

What they said about us.

"The team at Harper Macleod were first class and I would have no hesitation in recommending them to other businesses."

Stewart MacDonald, Managing Partner at Scott-Moncrieff

Healthcare

ACQUISITIONS



CLYDE MUNRO

Getting our teeth into consolidation

Clyde Munro Dental

Lead Partner: Paula Skinner

We acted on behalf of the Clyde Munro Group to acquire four private dental practices across various locations in Scotland with a cumulative value in excess of £4 million. The Clyde Munro Group, which provide both NHS and private dentistry, has a turnover of over £16 million and operates 31 practices throughout Scotland, working with over 100 dental associates to provide treatment to approximately 200,000 patients.

We worked closely with the Clyde team to ensure the acquisitions could be carried out within the short timescales required and that the process was as smooth as possible. We are engaged to work with Clyde on their ongoing acquisition programme of practices across Scotland and have so far assisted with nine transactions with a cumulative value of over £7m.

These transactions were led by Craig Ramsay and Natalie Wallace, assisted by Paula Skinner.

What they said about us.

"Acquiring 1-2 practices per month requires all our partners to be totally aligned. I can't speak highly enough about the support and responsiveness of the entire team at Harper Macleod."

Jim Hall, director of the Clyde Munro Group

SALE

Pets make prize

Laszlo Novak and Ellen Schmidt

Lead Partner: Craig McKerracher

We advised Laszlo Novak and Ellen Schmidt on the sale of 50% of the entire issued share capital of Linlithgow Vets4Pets Limited (LV4PL) to Companion Care (Services) Limited, a subsidiary company of Pets at Home plc.

LV4PL operates a Vets4Pets veterinary surgery within the Linlithgow branch of Pets at Home. The acquisition formed part of plans announced by Pets at Home in November 2018 to buy out 55 joint venture veterinary practices, with 25 practices becoming fully company owned and the remaining 30 coming under review for closure.

Our role in the transaction was to provide all corporate and employment legal advice to Laszlo Novak and Ellen Schmidt, including negotiating the share purchase agreement, employment contracts and associated ancillary documents on behalf of Laszlo Novak and Ellen Schmidt.

Our Corporate team advising on the sale was headed by Craig McKerracher.

Specialist input on Employment aspects was provided by Bruce Caldow and Andrew Maxwell.

What they said about us.

"Thank you so much for your fantastic work. You've done an outstanding job and we are absolutely grateful for the result you achieved with Pets at Home. Thank you very much for everything."

Laszlo Novak, Director / Shareholder, Linlithgow Vets4Pets Limited

Healthcare

SALE



Taking good care

Rainbow Services (UK) Limited

Lead Partner: Jo Nisbet

We advised the shareholders of award-winning Scottish domiciliary care & support services business Rainbow Services (UK) Limited on the sale of the entire issued share capital to England-based Grosvenor Health and Social Care Limited. Rainbow was a family owned and managed business with a stellar reputation across the multiple regions in Scotland in which it operates and after winning multiple tenders across the country, Rainbow is recognised as one of the leading providers of domiciliary care services in Scotland. Now, under the wing of Grosvenor, the company looks forward to continuing with its expansion plans. Sara Abbott, former shareholder and vendor in the transaction, will continue to lead the business.

Our Corporate partner Jo Nisbet led the transaction with input and assistance from Scott Milligan in our Employment team and Chris Noble in our Property team. It was a delight to work with a business where the owners had managed to build such a strong and successful foothold in Scotland in such a short space of time.

What they said about us.

"Working with the team at Harper Macleod ensured firstly we got the deal over the line in a very short timescale. Jo Nisbet and Anisha Kaura were always available for support and advice and made a very stressful process as easy as possible. They were extremely professional and we would look to work with them again."

Sara Abbott

Technology

INVESTMENT

At the cutting edge

Kingdom Technologies Ltd

Lead Partner: Paula Skinner

We advised Kingdom Technologies Ltd, a Scottish-based business which is aiming to revolutionise the lucrative lawncare market, on an investment of £400,000 in an initial funding round.

Founded by Estonian Joan Kangro, Kingdom has developed a next-generation robot mower using AI and a patent pending mapping technology which outperforms existing products in a market estimated to be worth around £20 billion a year.

The funding has come from a collection of investors, led by prominent European early stage investment firms Superangel and United Angels. The round includes a number of other Scottish and Estonian investors.

The business is targeting potential clients including local authorities, golf clubs and commercial premises, as well as residential premises with large gardens and other large terrains. Kingdom has already agreed multiple pilot projects with local authorities and golf courses and will start to operate the first pilots this autumn.

Our team, led by Paula Skinner supported by Natalie Wallace, advised Kingdom on all aspects of the investment, preparing and securing the deal.

Kingdom Technologies was initially assisted in its development by The University of Glasgow and Glasgow City Council's business advisory scheme, through the European Regional Development Fund (ERDF).

What they said about us.

"This funding will allow us to start the commercial pilots and prepare for a large scale manufacturing. We have already demonstrated the advantages of our product compared to the competition and it is fantastic that our investors share our belief that we can disrupt this market and become the leading player from right here in Glasgow."

Joan Kangro, CEO of Kingdom Technologies

INVESTMENT

A warm Welcome

Neatebox

Lead Partner: Jo Nisbet

We advised Edinburgh tech business Neatebox as it raised £180,000 from investors for its Welcome app, which gives businesses and venues advance notice of customers' disability requirements.

The award-winning business has attracted the funding from business angel syndicate Equity Gap, Scottish Enterprise and a number of private investors. A second tranche of funding will follow later this year, taking the overall investment to around £300,000.

Neatebox founder and Chief Executive Gavin Neate, a former Guide Dog mobility instructor who originally created an app for use at pedestrian crossings before focusing on its potential to solve a fundamental customer service need. The new funding will allow the business to continue scaling up by growing its marketing, sales and customer support teams, as well as bringing in more software development expertise. Our team, led by Jo Nisbet, has advised Gavin and the Neatebox team for many years and have seen the business evolve from being a start-up to reaching a tipping point.

INVESTMENT

Substance for style

Product Guru

Lead Partner: Scott Kerr

We advised Glasgow-based company Product Guru in relation to a £300,000 investment from an Asia-based retail technology investor Belmond Capital, Scotmid and Scottish Enterprise. Product Guru, which launched in September 2018, is an online new product discovery platform for retail buyers and product suppliers. Buyers from high street retailers which use Product Guru include John Lewis, Tesco and TK Maxx.

What they said about us.

"We are delighted to have completed a well-structured deal that allows us to move our business forward with the backing of two significant investors. This will allow us to accelerate the disruptive impact Product Guru is having in the market."

Food & drink

INVESTMENT

Raising a glass or two

Bellfield Brewery

Lead Partner: Jo Nisbet

We advised Bellfield Brewery, the UK's first dedicated gluten free microbrewery, on its third round equity investment of over £640,000. Investors to the deal included angel syndicate Equity Gap, Scottish Investment Bank and Bellfield's existing shareholders. The investment is part of the company's expansion plans to open a visitor centre and tap room this summer.

Our team have acted for Bellfield almost since its inception and have advised the company on a number of matters including, its first round of equity investment where it raised over £170,000 in April 2015 from 166 Crowdcube investors, its second round of funding where it raised £400,000 in July 2017, commercial contracts, share options and intellectual property matters.

What they said about us.

"Harper Macleod have been a pleasure to work with. At all times they have been very responsive, patient and helpful. They provided wise counsel when we needed it and worked quickly, often against very tight deadlines, to get things done so that our recent raise could progress to completion."

Giselle Dye, Director, Bellfield Brewery

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ACQUISITION

Kent Foods

Lead Partner: James MacGregor

We advised the parent company of Kent Foods Limited, HMS (485) Limited, on the acquisition of Henley Bridge Ingredients Limited (HB). HB distributed ingredients to bakers, chocolatiers and the wider food service industry. HB will continue to operate as a standalone business from its head office and warehouse in Lewes, East Sussex. The existing management team will remain with the business as HMS plan on taking a hands-off approach allowing the existing management team the freedom to continue to operate the business as it always has been. Our team was headed by James MacGregor and Rachel McNeill with specialist input from Scott Kerr, Scott Milligan (Employment) and Mandy Chow Chin (Real Estate).

Sales, sales, sales

SALE - AUTOMOTIVE

Part exchange

Steering Rack Services Limited

Lead Partner: Craig McKerracher

We advised Margaret McKenna and Noreen Hoolaghan on the sale of the entire issued share capital of Steering Rack Services Limited (SRSL) to Alliance Automotive UK Limited (AAUL).

SRSL was a family-owned business trading as SRS Autoparts with locations in Glasgow, Edinburgh and East Kilbride supplying brand name parts for all cars and light commercial vehicles.

AAUL is the second largest distributor of passenger and commercial vehicle parts to the independent automotive aftermarket in Europe. AAUL is a wholly-owned subsidiary of Genuine Parts Company, the largest worldwide automotive parts distributor with activities in North America, Europe and Australasia.

Our role in the transaction was to provide all corporate, banking, property and employment legal advice to Margaret McKenna and Noreen Hoolaghan, including negotiating the share purchase agreement, employment contracts and associated ancillary documents on behalf of Margaret McKenna and Noreen Hoolaghan.

Our Corporate team advising on the sale was headed by Amy Mackenzie with assistance from Craig McKerracher and Jennifer Sillars. Specialist input on Banking, Property and Employment aspects was provided by John Pringle, Nigel Eccles and Scott Milligan respectively.

SALE - PROPERTY MANAGEMENT

From start to finish

Domino Estates Limited

Lead Partner: Jo Nisbet

We advised James Callaghan and Martin Callaghan of Domino Estates Limited on their successful exit from the company in April of this year. Domino Estates is a property management business formed in 2010 to provide service in an industry not known for such an approach.

Our team have acted for Domino Estates almost since its inception having begun when the company was within the Entrepreneurial Spark accelerator. We were delighted to work with this business from the outset. This is a true example of us going on the entrepreneurial journey with our client from the beginning to exit. The transaction was led by Jo Nisbet with support from Gail Chalmers.

SALE - RECRUITMENT

At the cutting edge

RZ Group

Lead Partner: Paula Skinner

We acted on behalf of the selling shareholders of the RZ Group in relation to the acquisition of the company by Outsource UK. RZ has worked with clients with all recruitment needs and specialise in filling vacancies with the finance, technology, oil and gas and engineering sectors since being founded in 1998 by Andy Barton, David Bedford and Lisa Kwiecinska. They have grown it to a turnover of £27 million. Harper Macleod worked with the sellers and their families to provide support in all aspects of the transaction from the initial offer through to completion of the deal.

The transaction was led by Paula Skinner (Partner, Corporate) and Natalie Wallace (Solicitor, Corporate).

What they said about us.

"The service from Harper Macleod was extremely professional. Their representatives Paula Skinner and Natalie Wallace, did a first class job. In fact, I was in awe of the way they both fully understood our business and what our needs were regarding a sale so quickly. There was also an element of attention to detail that I personally found very comforting. It's not every day you sell your business, but I always felt in good hands."

What they said about us.

"Jo and Gail were excellent throughout our dealings with them on this deal. Both were extremely pro-active and diligent from start to finish and we'd highly recommend them to others."

SALE - CREATIVE INDUSTRIES

The Snook logo consists of the word "SNOOK" in white, uppercase, sans-serif font, centered within a solid red rectangular background.

User centred

We Are Snook

Lead Partner: Paula Skinner

We acted on behalf of the selling shareholders of We Are Snook, a service design agency that specialises in redesigning public and private services to better meet users' needs, in the sale of the company to Northgate Public Services (NPS), a wholly owned subsidiary of NEC Corporation.

Snook will continue to operate under its current brand and management team. The operational team will remain based in Glasgow and London, and will expand over the next 12 months to accommodate their aspirations to develop more accessible and inclusive services for the general public. As well as managing their own projects, the team at Snook will help develop NPS's capabilities in user centered design and provide input on product development within NPS.

Our team worked closely with the Snook team to ensure the sale could be carried out within a short, well managed timescale and that the process was as smooth as possible. The transaction was led by Paula Skinner and Natalie Wallace, also assisted by Rachael Barber.

Engineering

TRANSFER OF SHAREHOLDINGS

Specialist transaction

Allan Dallas and Ian Hart

Lead Partners: Chris Kerr /Craig McKerracher

We advised Allan Dallas and Ian Hart in respect of the transfer of majority shareholdings in Ross-shire Engineering Limited (RSE) and Prime Pumps Limited (PPL) from Global Energy Group to Envoy & Partners Limited (Envoy).

A restructure in the Global Energy Group resulted in some companies changing parent company from Global Energy Group to Envoy. The majority shareholding in Envoy remains with the MacGregor family and Japanese headquartered Mitsui and Company retain shareholdings in both Global Energy Group and Envoy.

RSE is a Scottish specialist engineering service company which works in the water, renewables, oil and gas and industrial sectors.

PPL offers services to improve and maintain water and wastewater infrastructure, flood control alleviation and capability handing for utility companies, local and regional authorities, onshore and offshore oil, gas and petrochemical companies and the aquaculture sector. **11**

Our role in the transaction was to provide all corporate legal advice, including negotiating the share purchase agreement, shareholders' agreements, put and call option agreements, articles of association for each of RSE and PPL, and associated ancillary documents on behalf of Allan Dallas and Ian Hart.

Our corporate team advising on the sale was headed by Chris Kerr and Craig McKerracher.

Get in touch.

Our team has extensive experience on advising on all types of corporate transaction, large and small. If you'd like to find out more about how we could help you, give us a call.

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Updates.



Members of the franchising team at Harper Macleod

Franchising - a growth business.

HM expands team

One of Scotland's top franchising lawyers, David Kaye, Partner and Head of the team at Harper Macleod, called on the country's entrepreneurs to seize the benefits of 'Brexit-proof' franchise models as the firm expanded its team due to growing demand.

Ahead of the industry's leaders gathering in Glasgow for Scottish Franchise Week in September, Kaye, the first Scottish lawyer recognised as a Qualified Franchise Professional by the British Franchising Association, said: "We've expanded our dedicated Franchising team in response to an increased demand for our services from people interested in becoming franchisees, and businesses who want to become franchisors.

"For the past five or six years, franchising has been really taking off in Scotland, approaching an overall value of £1 billion to our economy. However, with the overall UK sector worth more than £17bn, it could and should be even bigger, with less than half of all the UK franchising systems represented in Scotland.

The 14-strong franchising team at Harper Macleod, which includes seven Partners, is among the largest in Scotland, with specialists in all aspects of business which affect franchises including Corporate, Dispute Resolution, Real Estate, Intellectual Property and Employment law.

Kaye added: "To succeed in franchising you need to make sure all bases are covered and that requires advice from across a whole range of areas of law, which is something only a full-

service law firm such as ourselves can provide.

"If we can educate our entrepreneurs, the many Scots with the drive to run their own businesses, on the irrefutable benefits of the franchising model then I believe it could make a significant impact on the Scottish economy. With Brexit and all the economic uncertainty of the past few years, it can be a big risk to start up a business on your own. However, due to its proven business model and the support systems in place at good franchises, the evidence shows that much of that risk is removed. The services and products that tend to make good franchises are demand-based, and that demand will remain no matter what happens, so in many ways franchising is Brexit-proof."

BFA's regional Scottish chair Suzie McCafferty, who is also CEO of international franchising consultancy Platinum Wave, backed Kaye's call. She said: "Over the past six years the UK sector has grown by more than 25% and we need to ensure we claim our share of that growth in Scotland.

"As a proud Scot, I know that we have many brilliant, driven business people who would either be ideal franchisors or franchisees and if we can bring the opportunities to them the sky is the limit. We've made huge progress in Scotland over recent years with many people and organisations such as Harper Macleod working together to promote the benefits of franchising."

How to tame the Dragons

During the latest series of TV show Dragon's Den, members of our team turned all 'GoggleBox' to share their views on the latest episode, giving some hints and tips and also explaining how we could have helped. It was a bit of fun with a serious point, and even led to some interesting interaction on social media with some of the businesses who had pitched in the episodes.

Here's one of the blogs by Paula Skinner, head of our entrepreneurial team and who has vast experience of equity investments. Paula previously worked in-house at a venture capital organisation and her team has completed more than 90 equity deals in the last three years.

Don't judge an offer by its "valuation"

Cosmetics business "Tancream" was first up and managed to negotiate a better valuation with the Dragons than Sara's hefty initial request for 40%. They ended up on a dual deal with Touker Suleyman and Sara for a combined 25%, giving their business a pre-money valuation of £300,000.

It's important for entrepreneurs to really consider the overall terms on offer and not get stuck on valuation only – which is something we often encounter when we start working with a business. We encourage entrepreneurs to speak with us at as an early a stage as possible so we can explain the terms that are reasonable and that they should expect. Investors in different jurisdictions have different peculiarities and requirements, which can take entrepreneurs by surprise if they aren't prepared for those. Advisers such as us can add value and help if we are involved at an earlier stage and can also introduce you to a large network of investors, given our background and experience in this sector.

Diabolical investment deals

Next up was a devilish product, literally, and watching Dragons Den reminded me why my team and I love our jobs so much – it's the

variety of businesses you deal with on a daily basis. To go from working with a cosmetic product to a devil-themed drink, like Claven Hoof Rum, is exactly the kind of thing that happens in my day job as it involves dealing with all types of entrepreneurs.

Unfortunately, this entrepreneur was unsuccessful in getting an offer mainly because of earlier investment deals he had entered into. He had made the business uninvestable because of the terms he had offered to existing investors. A huge part of our job is trying to consider what a business may do in the future. We don't have a crystal ball but we have worked with a large number of businesses and can point out terms of deals that may cause an issue with future investors and/or purchasers. We're always telling entrepreneurs that they need to not only consider the "here and now" but also think about what future investors may think.

All you need is love?

The final business that caught my eye was Scrumbles - a pet food business that was founded by a husband and wife team. The first thing that the unromantic side of me considered when they walked in was "what happens if they get divorced?", and sure enough around halfway through their pitch, dragon Peter Jones asked the same.

The couple's romantic but possibly naïve response was that "it will never happen to us" ... Unfortunately, we all know friends, family, colleagues or business partners who have gone through a divorce and it's not nice, it's not cheap and it can be very unfriendly – to a business as well as the relationships. We recently covered Business and Divorce in a previous blog which you can view here.

However, if plans had been put in place from the outset, the business could be protected. We would recommend that difficult discussions are held at the outset of a business venture to consider these areas as, all too often, we've seen businesses fail to meet their potential as a result of an issue such as this which could have been avoided had they taken advice. 13

Why the Devil is always in the detail of a deal

HM Harper Macleod LLP
LEGAL EAGLE'S DEN

Paula Skinner
Partner

Dealing with the 'business' of divorce

Corporate transactions by business owners may have family law considerations which aren't immediately obvious.



James MacGregor
Partner
Corporate



Alexis Harper
Partner
Family law

For the owner of a business, there are few things worse than getting divorced. Whether your business interests are in partnerships, as a sole trader or shareholdings in private companies, they can all be seriously affected by a divorce – which, despite the statistics showing that more than a third of all marriages will end this way, is often not something people anticipate or plan for.

This issue came to the fore again earlier this year when Amazon founder Jeff Bezos and his wife MacKenzie announced they were to divorce, bringing his entire ownership stake in the company into question.

Of course, not many couples have business interests like Mr and Mrs Bezos', but they are often of significant value. The



If a business owner is considering a restructure of their business, it is vital that they consider with their advisers the impact of that restructuring on how the asset would be treated on divorce.



big questions are, do they form part of the property of the marriage, how much are they actually worth, and could the divorce endanger your control of the business?

Is the business interest Matrimonial Property?

In broad terms the Family Law (Scotland) Act 1985 defines matrimonial property as anything acquired during a marriage, whether it be in either parties' name or in joint names, which was in existence at their date of separation (known as the relevant date). This excludes assets inherited or gifted to the parties by a third party.

If the business was acquired or commenced after the marriage but before the relevant date, it will be matrimonial property.

The matter can be complex, however, in a situation where a business starts as outwith the pool of matrimonial property but then changes its character or structure during the marriage. This change could have the effect of converting a non-matrimonial asset into matrimonial property. A basic example would be a sole trader who held their business prior to marriage but incorporates their business into a company during the marriage. The interest in the company would be matrimonial property albeit that an argument could be put forward to try to mitigate the impact on the business owner.

A business can be restructured in many ways, with even simple changes to the shareholding structure of a company affecting how a business asset would be treated on divorce. The question of whether a restructure converts the asset into matrimonial property is not always straightforward. If a business owner is considering a restructure of their business, it is vital that they consider with their advisers the impact of that restructuring on how the asset would be treated on divorce.

Valuation of a Business

Valuing businesses is very specialised, particularly on divorce. Whilst the accountant for a company can put forward an initial broad brush valuation of the business, generally an independent expert will be instructed to prepare a valuation with information and documentation provided by the company accountant.

Some things to consider

- A pre-nuptial or post-nuptial agreement can be useful in getting the agreement of your spouse not to make claims against the business.
- Consider carefully if you wish to involve your spouse in the business. It may be tempting, particularly if you have been advised to do so for tax purposes, however their involvement will have implications on divorce both from an employment law point of view (if they are an employee) and a family law point of view if they have contributed financially/non-financially to the business itself.
- Where your spouse is a shareholder or partner in the business, if you have not put in place a shareholders' agreement or partnership agreement and the personal relationship with your spouse deteriorates, then decision making in relation to your business can become fraught with difficulties. We have seen situations where a disgruntled spouse who has an interest in the business can hold their spouse to ransom or prevent a sale of the business. Putting in place appropriate documentation "in the good times" can avoid issues if the personal relationship deteriorates.
- Business owners require specialist input in divorce proceedings – ensure you instruct a specialist Family lawyer, preferably at a firm which can call on a Corporate law specialist, and an experienced forensic accountant.



Why the buyers for a rural business may be right in front of you

By Paul Macdonald
Senior Associate

The economy of a rural and remote community often relies on the stability of its local businesses. Well-established, sustainable and profitable businesses offer long-term employment and opportunities for the next generation, putting money into the local coffers.

But what happens when the owner of such a business is looking to sell up or retire? Many rural and remote businesses struggle to find buyers due to their geographical location – their very nature may mean that there are no obvious buyers, particularly if it is essential to the health of the community that it remains embedded in the local economy.

These owners are often faced with difficult questions: Where will the money come from? Will it be possible to attract a third party buyer from outwith the area? What impact will their exit have on the community?

You may not think the business is saleable, however in many cases the solution lies within the community you are keen to protect – the community is your succession plan.

At Harper Macleod we have developed a proven exit strategy whereby a deal can be structured to allow exiting owners to offer family members, staff members or even members of the community an opportunity to acquire the business, all the while controlling your exit and realising value.

The strategy can be particularly attractive to owners but there are also

many advantages for both the acquirer and wider local community.

Benefits for the seller

The starting point is that the business is profitable. If it is, the exiting owner should expect to be paid a lump sum upon doing the deal and the rest of the business' agreed value over a specific period of time.

This allows the buyer or buyers to acquire the business without having to raise the full amount at the outset - it is effectively the business that is responsible for paying the debt to the exiting owner. Even with the flexibility around how the consideration (the purchase price) is paid, Entrepreneur's Relief should be available to an exiting owner for the entire value of the business - tax clearance from HMRC would be sought prior to the transaction. This should mean that the owner will pay only 10% tax on the consideration.

A further benefit to the exiting owner - should they choose - is that they can maintain an interest in the ongoing running of the business. This will enable them to stagger retirement and maintain a degree of supervision over the buyer to protect their interest in the business until they have received their deferred consideration in full. There are a variety of ways in which this can be achieved.

And, of course, by focusing on the local community for business succession and concentrating the search for a buyer over a smaller area a seller saves costs on

advertising and time with negotiation.

Benefits for the buyer – and the community

For the buyer, in addition to acquiring a business without having to fund the full consideration up front, the impact on the day-to-day running of the business can be minimal as the buyer will likely be a member of the local community who is familiar with, or may already work in, the business. As a result, the process can be straightforward and potentially time-consuming due diligence processes and buyer protections can be kept to a minimum.

In terms of the benefit to the local community, selling a business this way ensures that it stays in the local area and the future of those working there is secured.

The best of both worlds

In short, this strategy can enable:

- an owner to achieve an exit at value;
- a buyer to acquire a business without having to fund the full consideration;
- there to be little impact on the day to day running of the business; and
- for a local business to be retained in the area for the benefit of the community.

If you would like to discuss whether this is an option that is right for you and your business, please do not hesitate to get in touch.

Meet the team.

Our Corporate team is led by specialists who ensure you receive the service you deserve.



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Big news.

HONOURS

HM Chairman receives CBE

Professor Lorne Crerar, Chairman of Harper Macleod, has been made a Commander of the Order of the British Empire (CBE) in the Birthday 2019 Honours List for his contribution to "economic and community development". Professor Crerar, co-founder of the firm, has had an illustrious career in both the legal profession and public service, not least in his role as Chairman of Highlands and Islands Enterprise since 2012.

He said: "I am absolutely delighted to have been awarded a CBE and honoured to be recognised for making a contribution to economic and community development in Scotland, which is something I am passionate about. I firmly believe that economy and community are intrinsically linked and I have been fortunate to be in a position in which I could make that central to both my business and civic activities - in particular as Chairman of HIE which has a unique remit in that it integrates community and economy in everything it does. "Receiving an honour such as this is in no small part down to the dedication and support of the people I have been fortunate to work with in all aspects of my career and I look forward to sharing this moment with my family and friends." The CBE is the highest ranking of Order of the British Empire honours, followed by an OBE (Officer) and then MBE (Member).

Earlier this year, Professor Crerar received the Lifetime Achievement Award at the Scottish Legal Awards 2019, an award which also acknowledged his influence beyond the legal sector which has seen him carry out key roles in sport, academia and the public sector.

Professor Lorne Crerar CBE



Martin Darroch & Kyle Steyn seal the deal

SPORT



Warriors' latest signing

We renewed our sponsorship of Glasgow Warriors until 2021, which will see the firm's name adorn the Harper Macleod West Stand and the Harper Macleod Club Deck at Scotstoun Stadium.

The firm has been part of the Warriors setup since 2015, and will once again be a prominent name as the club bids for success in both the Pro14 league and the European Champions Cup.

Announcing the move Glasgow Warriors Managing Director Nathan Bombrys said: "Harper Macleod has been a vital supporter of the team for the past four years and we're absolutely delighted that the firm has come on board for another two seasons.

"As all rugby fans know, re-signing key people is often just as important as bringing in new faces. That not only applies to those who represent the club and the city of Glasgow, but also to what happens off the field. Harper Macleod is one of the biggest and best-known names in the legal profession and it's great to be associated with a brand that is renowned as being a leader in their field.

"Not only have they been loyal supporters of the club as we continue to grow, they have also been incredibly active behind the scenes. They have hosted some great events and encouraging supporters - particularly those from the Harper Macleod West Stand - to get involved and we look forward to continuing what is an incredibly valued partnership."

HONOURS



**Our new team
in Elgin**

Making ourselves at home in Moray

In September, Harper Macleod established a permanent presence in Moray, taking over Elgin's Wink & Mackenzie - one of the area's oldest legal practices.

Partners Ian Davidson and Lauren Wright, along with W&M's 15-strong staff, added to our existing offices in Inverness, Thurso, Lerwick, Glasgow and Edinburgh. Current W&M Partner Damian Marinello also joined as a consultant.

Professor Lorne Crerar CBE said: "This is a hugely exciting opportunity both for Harper Macleod and the team at Wink & Mackenzie. I believe the move will benefit our joint client

base, as well as anyone looking to access advice of the highest quality and value on their doorstep in Elgin and throughout Moray.

"As well as the services Wink & Mackenzie already provides, it will allow us to extend the full Harper Macleod offering of commercial and personal legal services to the local market.

As part of that process, the Wink & Mackenzie legal office at The Old Station and Property Shop on High Street have undergone a facelift with new signage the most visible element of the exciting changes the move has brought.

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SPORT

Team GB & Team HM



**Martin Darroch,
Jo Butterfield &
Nigel Holl**

Harper Macleod has been appointed as Official Legal Advisers of UK Athletics for the next two years.

The firm will provide a full range of legal services to the National Governing Body including corporate advice, commercial contracts, intellectual property, employment law, governance and regulatory matters.

We have strong links with sport and was previously appointed as Legal Advisers to both the Glasgow 2018 European Championships and the Glasgow 2014 Commonwealth Games.

Nigel Holl, interim CEO of UK Athletics, joined Paralympic gold medallist Jo Butterfield and Martin Darroch, Chief Executive of Harper Macleod, at the Emirates Arena in Glasgow to announce the appointment

Nigel Holl, Interim CEO of UK Athletics said: "We are delighted to announce this partnership going forward with Harper Macleod who have a proven track record of expertise and delivery in this area. We are also delighted that they join the British Athletics sponsor family."

We are Harper Macleod.

Harper Macleod is a leading Scottish independent law firm that is driven to deliver.

Our growth and success is determined by your success, which is why we always try harder. We don't just see ourselves as lawyers, we see ourselves as problem solvers and business advisers, who focus on understanding your needs. We work side by side with you, using law as a tool to provide innovative solutions that are tailored to organisations and individuals.

It's this drive that sets us apart and delivers a better outcome for you or your organisation.



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