

ISSUE 2 AUTUMN/WINTER 2022

DISCOVER

PEOPLE

Baking, sports and clubs

WE'REA BCORP!

Joining a worldwide community

BKL ADVANCE

Guidance for growing businesses

TAX TEAM UPDATE

Awards, videos and articles

Discover PEOPLE EXPERTISE CULTURE

Welcome

4	Welcome from Lee	3
4	Expertise	
	BKL Advance: building valuable businesses	. 4
	How a CFO can help you grow	6
	Helping Exagen to excel	. 8
	Tax: our new videos, award success and more	10
4	Updates: HMRC and legislation	
	Mini Budget and reversals	. 12
	Draft Finance Bill legislation	. 12
	Mortgages: proof of income for the self-employed	. 13
4	People	
	Multicultural lunch	14
	Sport at BKL: football, cricket and netball	16
	Clubs at BKL: art, films and board games	. 18
	B Corp certification	20
	Scale-Up Awards	22

In this issue...



Lee Brook
Managing Partner

Welcome to the second issue of BKL's magazine.

Bringing Discover together gives us an opportunity to reflect on what's important at BKL.

Being there for our clients, using our expertise to help people and businesses to achieve ambitions, is what we've built our business on. In this issue we introduce BKL Advance, our outsourced CFO service providing senior-level guidance to growing businesses. You can also read about some of the deals we've helped clients to complete in recent months, along with an update on how our tax team have been sharing their specialisms.

Celebrating the diversity within BKL, and enjoying our time together, is always valuable to us. Read on to see how we've been baking, painting, playing sport and more, and the charities we've supported in the process.

More than just being a successful business for our clients and our people, we want to be a responsible business: doing the right thing, learning and setting an example. That's why becoming a Certified B Corporation means so much to us. We explain more later in this issue.

If you'd like to comment on any of our articles, or you have suggestions to help us make Discover's next issue even better, we'd be pleased to hear from you. You can email us at Discover@bkl.co.uk.

For BKL news throughout the year, don't forget to follow us on social media too.







Building value with BKL ADVANCE



We're proud of the variety of businesses we work with. If you're an ambitious entrepreneur or business owner, our role is to help you not just to survive but to thrive. That's why we launched BKL Advance this year to support growing businesses.

BKL Advance is part of BKL and refers to our outsourced CFO (Chief Financial Officer) service and related advisory services. It has its own dedicated **BKL Advance website**.

Focused financial expertise

A business owner who has senior-level experience backing their business can achieve their ambitions faster: succeeding, innovating and growing.

In many businesses, the CFO plays a key role in developing the business and exploring its potential: financial and non-financial. Even if your business isn't ready for a full-time CFO or FD (Finance Director), you can still access the advantages.

Through BKL Advance, clients will benefit from financial, commercial, strategic and operational expertise equivalent to a highly experienced CFO or FD, enabling them to rapidly grow their business without the expense of hiring someone full-time.

Our flexibility means that business owners can call on the support they need, when they need it: from trusted second opinions and strategic guidance to efficient operational management.

Our approach

The diagram shows our framework for building valuable businesses across six segments:

- Profit enhancement
- / Business operations
- / Financing & cash
- / Strategic innovation
- / Corporate growth strategy
- / Exit planning

As a BKL Advance client, a member of our team will explore this framework with you to identify key areas of your business for us to focus on together.

On page 6 we look at the role of the CFO in putting new ideas and innovations into practice. The BKL Advance website has more articles about the increasing importance of the CFO in supporting business growth.

Specialist consultancy

Your BKL Advance CFO contact will be able to introduce more of our experts who can advise you in other areas, including:

- / HR consultancy
- / IT consultancy: virtual CDO (Chief Digital Officer)
- / ESG consultancy
- / Growth services

Outsourced finance

With our CFO-level support from BKL Advance comes our specialist selection of business support services, designed to help growing businesses move in the right direction.

Outsourcing your finance function to BKL isn't only about what we do but how we work with you and your team.

Our accounts & outsourcing team is known as Advance Business Services or ABS for short. They have a threepart formula for high-quality support:

Built on technology

We choose the best software and apps to streamline your processes, saving you time you can then invest in growing your business.

Driven by data

Providing and interpreting real-time information to help you make key decisions about the future.

For us, better understanding of your business means better support for you. A key part of that is analysing data. We're too curious not to.

Our people then apply an expert eye. Finally, we present our insights to you: not just through documents but in meetings, as a conversation.

Led by people

Within our ABS team, you'll be able to build relationships not just with your CFO contact but with a 'pod': a close-knit group who know your business in detail and are all ready and able to support you when you need them. Among them are specialist pods for property & construction and financial services businesses.

Our core system for BKL Advance clients is Xero, the leading online accounting software. As one of Xero's Platinum Partners, we can offer the highest level of support with this versatile tool and its specialised integrated apps. Xerocon London, which we went to this summer, was a great way to learn more about these apps to pass on to our clients.

To provide aggregated business insights, we've developed our own BKL Advance reporting hub. Our strong relationships with software providers include practice management platform Karbon, who invited our cloud accounting specialist Tom Li to join their first ever customer council this year.

In providing our skills and experience to business owners through BKL Advance, we don't simply tell them where they've been. We want to guide them to the limits of where they can go.

Discover more...

/ BKL Advance website





There was a time when the CFO spent their life just thinking about last quarter's figures. But not any longer.

Expertise

Earlier this year, a study by McKinsey showed clearly how the role of a CFO is expanding rapidly. CFOs' responsibilities have evolved to include business processes such as procurement, internal audit and investor relations; more recently, the role has shifted further to embrace huge organisation-wide responsibilities such as business strategy, risk management and mergers & acquisitions.

Their role extends into other areas that are arguably even more unexpected for a CFO to lead on, such as innovation, digital transformation and culture.

A typical CFO is now seen as sitting alongside the CEO in forming business strategy and managing change. The number of functions that now report directly to the CFO gives them an excellent oversight of all elements of the business and a deep understanding of business strategy.

When it comes to innovation, trust a CFO

In growing businesses, exciting ideas may not always seem compatible with financial reality. But a CFO understands how to find the balance when decisions need to be made.

Successful innovation isn't accidental: ideas need to be tested, resources allocated, assumptions validated, the business prepared for change, and progress measured.

The pandemic has helped to reinforce the value of a good CFO by showing that the skills of a finance function go well beyond data processing. As we grappled with lockdowns and restrictions, cashflow forecasting and solid fundamentals made the difference between survival and disaster – and it was the skills of CFOs and their finance teams that saw many businesses through.

Most businesses are out of survival mode and looking again for ways to grow their business and generate new revenue streams. This involves exploring new

ideas, whether it's making use of new technology, a new business line, or perhaps even an acquisition.

And once again, an experienced CFO will make all the difference.

The CFO role offers more than just a reporting function. Arguably, no one has a better overall understanding of the business than a CFO, because they see critical data across the entire organisation and have the skills to transform that data into a coherent story of where the business is, and where it could go.

CFOs are adept at using advanced systems and data analytics to generate highly valuable insights into how the business is functioning and the likely impact of investments and decisions when it comes to innovation.

An experienced CFO will encourage and challenge the board or business owner to think rationally and deeply about an idea and what it could bring to the business:

- / What does success look like in this scenario?
- / What are the critical KPIs that we want to move?

Will this generate sustainable profits, or just temporarily boost the top line?

This analysis helps the board members in making clear, intelligent decisions. It might help them see that an appealing idea is not, in fact, quite right for the business. Or persuade them that the best investment in new technology is on high-quality systems that drive efficiency across the business. The CFO's analysis acts as an informed defence against overoptimism or unfounded negativity.

In short, an experienced CFO will help a business make better decisions. This is our ultimate goal with BKL Advance's CFO service: to provide growing businesses, who cannot yet justify the expense of a full-time CFO, with all of the experience and insight that a seasoned professional can bring. We can provide the analysis and guidance that helps business owners make sound decisions that will drive the company forward.

For more information about how our virtual CFO service can help you, please get in touch.



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In August, Exagen secured up to £35m of funding from Octopus Energy's new renewables fund. We were delighted to advise Exagen, a long-standing client, on this deal.

Exagen is a leading renewable energy developer who builds and runs solar energy farms with battery storage facilities across the UK. It builds relationships with landowners, farmers and local communities to create sites that boost biodiversity and tackle the threats of energy security, fuel poverty and climate change.

Octopus Energy Generation, one of Europe's largest investors in renewable energy, manages the Octopus Energy Development Partnership (OEDP). The OEDP fund aims to reduce Europe's reliance on gas imports by driving the generation and storage of new solar and wind power.

The OEDP launched in August and chose Exagen as its first investment. This investment will fund a corporate expansion and the acquisition of three solar farms with onsite batteries and a combined capacity of approximately 400MW across the Midlands and the North East, where Exagen is opening a second office to complement its London HQ.

The transaction cements Exagen's plans to rapidly scale and build its current development pipeline of over 2GW of utility scale generation and storage projects.

Having worked with Exagen since its early days, we were delighted to have the opportunity to support them in reaching this major milestone. Exagen's commitment to sustainability, technology and community has always struck a chord with us and we're glad that Octopus Energy has recognised and invested in this too. We look forward to continuing to work with Exagen as the business grows and powers a greener future for the UK.

Jeremy Littman, founder and CEO of Exagen, commented:

"Because of BKL's trusted relationship with Exagen, supporting us through many phases of our growth, we knew they were the right people to support us in our groundbreaking deal with Octopus.

"We're grateful to BKL and are pleased that they will continue to support us on our mission to build smarter, flexible renewable generation projects across the grid, enabling communities access to cleaner, cheaper energy."

Helping other businesses

BKL's corporate finance team, who supported Exagen's investment search, complete sales, mergers and acquisitions across a range of industries.

On the facing page are details of other transactions where the team have provided commercial and financial advice this year.

Sale of Base Quantum to SOCOTEC UK

Base Quantum is a quantity surveying, dispute resolution and expert witness practice based in the UK. Over the past 10 years, its team have advised on high-profile global construction disputes nationally and worldwide.

SOCOTEC UK is the UK operation of the global business of SOCOTEC, which is headquartered in France. SOCOTEC UK is a leader in testing, inspection and certification in the UK construction, infrastructure and environment sectors. It has over 5,000 clients and offers over 200 services.

The sale allows Base Quantum to build on its reputation and offer a far broader range of specialist services internationally, while enabling SOCOTEC to reinforce its own expertise and market position.

It was a long process, and tense at times; but by using our experience, we helped to ensure a successful outcome for both parties. It presents exciting prospects for Base Quantum in the years ahead.

Tom Taylor, Managing Director at Base Quantum, commented:

"Daniel Shear and his BKL colleagues have been instrumental in helping us to navigate a challenging process. They have been there for us throughout: dependable, expert and efficient. We're grateful for BKL's help and look forward to this new phase for Base Quantum."

Sale of Bonds Worldwide Holdings and its subsidiaries to Elanders Group

Bonds is a UK-based market leader of special transportation and installation of advanced technical equipment, with clients across the UK and internationally.

Elanders Group is a global leader in supply chain management services. It has 7,000 employees operating in 20 countries, across four continents.

The acquisition strengthens Bonds' position within the industry while also enabling Elanders to continue its international growth.

Karen Waters, Founder of Bonds Worldwide, commented:

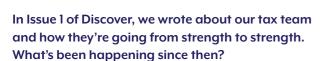
"Jamie Johnson was introduced to me to help with the sale of Bonds Worldwide Holdings and Bonds Worldwide Express. I found his knowledge of handling the sale to be superb with constant recommendations and advice on how we moved forward. Jamie's efficiency in the due diligence stage was so very helpful.

"I would have no hesitation in recommending Jamie and BKL as a valuable part of any business sale. A lot of the stress was taken out for me by BKL's efforts and the sale went as smoothly as could be possible."

Discover more...

/ Corporate finance services from BKL

Tax team update



As well as continuing to advise individuals, families and businesses – such as advising Exagen on the structuring of their deal with Octopus Energy Generation (see page 8) – our tax specialists are also earning further recognition through:

Awards and rankings

In May, we were delighted to see BKL Tax Manager Sam Inkersole win Rising Star at the Taxation Awards. He's now followed this up by earning a place in the 35 Under 35: Accountancy Age's annual listing of young professionals 'who have made great professional contributions to the field and their individual firms.'

We congratulate Sam on this excellent recognition of his personal dedication and success, his commitment to building strong client relationships and the high esteem he fosters among colleagues.

In a <u>new video</u>, Sam talks about his career at BKL, including his move from audit to tax.



Videos

Our Talking Tax videos feature BKL's tax specialists exploring a range of topics. So far we've covered:

- / Structuring and financing an overseas group's acquisition of a UK-headed group
- / Factors affecting non-resident landlord companies holding property in the UK
- / Capital gains tax disposals and reliefs

Future topics will include demergers and inheritance tax.

You can also watch a recording of our latest tax webinar: Landlords and Making Tax Digital.

Press

Recent examples of sharing our tax expertise in print include:

- / Tax Journal Reviewing the first decision by the GAAR Advisory Panel (General Anti-Abuse Rules) in favour of the taxpayer
- / Taxation magazine Exploring the proposed Inheritance Tax Act 1984 (Amendment) (Siblings) Bill and IHT implications for brothers and sisters; delving into decentralised finance (DeFi) and cryptoassets; answering fellow professionals' queries in the Readers' Forum
- / Tolley's Property Taxation 2022-23 The chapter on overseas investors is written by Geraint Jones, our Head of Private Client Tax



Training courses

Anthony Newgrosh, our Head of Business Tax, spoke about corporation tax at this month's Introduction to Insolvency course run by R3, the trade association for UK insolvency and restructuring professionals.

Mailings

Throughout the year, our well-established BrassTax mailings bring you our take on the latest tax stories, such as HMRC announcements, court cases and tribunal decisions.

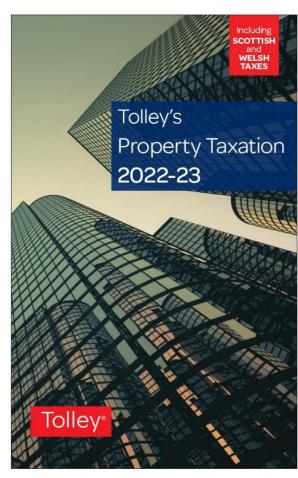
We also send out Tax Dispatch, a recurring roundup from our tax team.

New subscribers are always welcome. You can sign up via our website, where you can also find all of our tax articles.

Whatever stage you find yourself at with your business, family or personal finances, and whatever tax-related challenges or opportunities you need to navigate, BKL has someone who would be happy to help you.

Discover more...

- / Our tax services webpage
- / Subscribe to our tax mailings
- / Videos & webinars: our YouTube channel



UPDATES OLDAIES

Mini Budget and reversals

The new Government's Growth Plan, better known as the Mini Budget, was presented on 23 September. Since then, Government statements in October have reversed almost all of the tax measures set out in the Mini Budget that have not been legislated for in Parliament.

Mini Budget tax measures that are still in place

From 23 September, changes in **stamp duty land tax** (SDLT) mean:

- / For all home purchases, the threshold from which SDLT must be paid (the nil rate band) doubles to £250,000.
- / The threshold at which first-time buyers begin to pay SDLT increases to £425,000.
- / The maximum value of a property on which first-time buyers' relief can be claimed increases to £625,000.

From 6 November, the temporary 1.25% increase in **National Insurance Contribution** (NIC) rates will be reversed. The **Health & Social Care Levy** announced in September 2021 is being cancelled.

From April 2023, the bank **corporation tax (CT) surcharge rate** will be maintained at 8% and the allowance set at £100m.

From April 2023, the doubling of the **Company Share Option Plan (CSOP) limit** will allow businesses to offer employees share options worth up to £60,000.

From April 2023, the criteria of the **Seed Enterprise Investment Scheme** (SEIS) will be expanded, including allowing firms to raise £250,000 under the scheme.

From 1 April 2023, the **Annual Investment Allowance** (AIA) will be permanently set at £1 million. This will give 100% tax relief to businesses on their plant and machinery investments up to the level of £1 million.

The Government has agreement in principle to establish **Investment Zones** with targeted and time-limited tax cuts for businesses and liberalised planning rules.

Further measures are expected on 17 November in the Autumn Statement, which will contain a mediumterm fiscal plan and an OBR (Office for Budget Responsibility) forecast.

Draft Finance Bill legislation

In July, HMRC published a number of items of draft legislation for inclusion in the next Finance Bill.

Two key topics were:

Capital gains tax for separating spouses

Helpful relaxations of the rules on marriage (or civil partnership) breakdown.

At present, the general ability to transfer assets between spouses (or civil partners) without risk of capital gain arising (the 'no gain, no loss' treatment) lasts only until the end of the tax year in which the parties permanently separate.

In future, that treatment will be extended by a further three years or until the date of divorce (etc) if that is sooner.

The guidance published alongside the draft legislation indicates that the period is extended indefinitely in relation to any disposal made in pursuance of a court order; but the draft legislation itself provides for this indefinite extension to apply if the disposal is made pursuant to any agreement (i.e. not limited to court orders) made in connection with the breakdown of the marriage or civil partnership. Hopefully the position will be clarified before the draft legislation becomes law.

The other changes are in relation to disposal of the former marital home. The main change applies where one of the parties to the marriage or civil partnership leaves the family home and transfers their share in it to the other on terms that the transferor will get a share of any profit made on a subsequent sale. The new rule makes the transferor's share of profit exempt from tax to the same extent that any gain on the original transfer was exempt (or would have been but for the no gain no loss treatment applying to it).

These rules will (assuming that they are enacted) have effect for disposals made after 5 April 2023 and may in some cases significantly reduce the tax costs of relationship breakdown.

R&D claims

Confirming the proposed changes to R&D claims for accounting periods starting on or after 1 April 2023.

- / No relief will normally be available for research and development undertaken by subcontractors or externally provided workers based outside the UK.
- / All claims will have to be submitted digitally. There will also be a requirement to provide a breakdown of costs and supporting narrative.
- / Companies will have to inform HMRC within six months of the end of an accounting period that they intend to make a claim. However, this will not be necessary where a claim has been submitted in respect of any of the previous three chargeable accounting periods.
- / The reliefs are to be extended to include costs of datasets and cloud computing.

We have also seen HMRC taking a much tougher line on claims generally and this has resulted in processing times of up to three months.

It is clear that HMRC are seeking to apply the legislation far more rigorously and expecting companies to be able to demonstrate that they have achieved a specific advance in the field of science and technology rather than simply using science and technology in product development.

BKL's tax specialists have generated significant tax refunds and savings for clients investing in R&D. The projects have ranged from fingerprint recognition systems to robotic machinery for the flat-glass industry. Many of the clients we've assisted have undertaken groundbreaking software work.

There are pitfalls in the legislation and there are time limits for making claims. But by addressing these issues early, we have succeeded in obtaining HMRC's agreement to the vast majority of claims submitted—without adjustment, and extremely cost-effectively.

To learn more about how the relief may apply to your business or for assistance with making a claim, please get in touch with us.

Mortgages: proof of income for the self-employed

As of October 2022, anyone applying for a mortgage who is self-employed (including: sole traders; limited company directors who own more than 20% of the business), or whose income is derived from dividends and does a tax return, will need to provide a 2021/22 tax return to the mortgage lender as proof of income.

We work closely with IPFS (Integral Private Finance Services), who are experienced at providing a range of mortgage, protection and insurance advice to BKL clients. For self-employed people and company directors, this includes relevant life plans and key person cover.

If you'd like to know more about how IPFS can help you, please get in touch with your usual BKL contact or reply to this email.









In September, we were thrilled to become a Certified B Corporation (B Corp for short).

B Corps are a worldwide community of businesses that meet high standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose.

B Lab, a US-based not-for-profit network, provides this certification. The B stands for *Benefit for all*.

As part of BKL's long-term commitment to making a difference – which includes setting up our charitable foundation and being accredited by Inclusive Employers – we began our B Corp application process in 2021. It enabled us to assess our impact on our people, clients, communities and the environment in detail. This has

helped us to better understand our ESG (environmental, social and governance) responsibilities.

Among the UK's community of over 1,300 B Corps – which includes The Body Shop International, The Big Issue Group, Innocent Drinks and Octopus Group (which we mentioned on page 8) – only a handful are accountancy and tax advisory firms. BKL is the largest of these firms.

We would be pleased to speak with any clients who are considering B Corp Certification for their business, or who would like guidance on their ESG responsibilities.

On the facing page, read more about why becoming a B Corp is so important.



Lee Brook Managing Partner

"Thanks to the dedication of our team and the work that we've put in to becoming a sustainable business, we're delighted to have reached this milestone.

As a people business, we're also proud to have earned an Impact Business Model from B Lab during the assessment process in recognition of our focus on developing our employees. An IBM is a rare achievement among B Corps.

BKL has always welcomed colleagues and clients from around the world, so we're excited to be joining B Corp's diverse global community.

We know that B Corp certification isn't job done. It's part of our journey as a sustainable, inclusive and growing business and means that we are continually improving and being held accountable against some very high standards."



Myfanwy Neville Head of ESG

"As professional advisers, we understand our responsibility to guide other businesses in doing the right thing.

This is reflected in the services that BKL provide and our own commitment to a sustained positive impact on our people, clients, community and the environment. We're so pleased to have become B Corp certified in recognition of that.

We hope that many more businesses of all sizes, in our sector and beyond, will explore the benefits of joining the global B Corp movement for an inclusive, equitable, and regenerative economy."



Chris Turner Executive Director of B Lab UK

"We are delighted to welcome BKL to the B Corp community. This is a movement of companies who are committed to changing how business operates and believe business really can be a force for good. We know that BKL are going to be a fantastic addition to the community and will continue driving the conversation forward.

We are pleased to have B
Corps of all shapes and sizes as
part of our community – from
startups to multinationals
and across many different
industries. Welcoming BKL is
an exciting moment because
they have an opportunity to
lead the way within the UK
accounting sector. We and the
rest of the B Corp community
are really pleased to support
BKL in paving the way for a
new way of doing things."

Scale-Up Awards 2022: rewarding innovation



As supporters of forward-thinking entrepreneurs and high-growth businesses, we're excited to be involved in recognising the achievements of UK businesses and their people through the Scale-Up Awards this year.

Run by Business Leader, the Scale-Up Awards are aimed at fast-growing, innovative and ambitious UK businesses.

As well as being part of the judging panel, we're also sponsoring and presenting the Technology Scale-Up of the Year award. From the businesses we work with, we know that tech companies are among the most innovative and ambitious.

We'd like to thank all of the Scale-Up Awards entrants for sharing their accomplishments with our judges. Keep thinking big!

We look forward to congratulating the finalists in person at the Scale-Up Awards in London on 3 November. Look out for more in the next issue of Discover.

Find out how our BKL Advance team can help growing businesses on page 4.

Next stop: BKL?



While we enjoy having clients around the world, we're also proud to have our base in Finchley in north London, where we put down roots over 30 years ago.

Our office in Finchley gave us the space to grow after moving out of central London. We're keen for people living in or around north London to have the same opportunity: to free themselves from a tiring commute into the City (the kind they didn't miss during lockdown) in favour of something better.

That's why, earlier in the year, travellers at a selection of stations on the Northern Line – including our local Tube station, Finchley Central – will have seen a series of adverts from us, asking the question:

Why travel far when everything you want is in Finchley?

If you know anyone who's ready for a new opportunity away from central London, point them in our direction. We'd love to be their platform for personal growth.

Discover more...

/ $\underline{\text{Life at BKL}}$, including our virtual office tour

/ Jobs at BKL





