

# UK INDIA

BUSINESS COUNCIL

## INDIA to UK

Setting up and financing your business in the UK

[www.ukibc.com/ukiban](http://www.ukibc.com/ukiban)

*In partnership with*



*Partnership in action*



## TABLE OF CONTENTS

FOREWORD .....	1
INTRODUCTION .....	4
LEGAL .....	6
ACCOUNTING AND AUDITING PRACTICES IN THE UK .....	21
RAISING FINANCE .....	26
APPENDICES .....	39
PARTNERS .....	44

## FOREWORD

There has never been a more opportune time for globally ambitious companies to be looking to the UK to set up and finance their businesses. Indian companies are certainly leading this trend, spending more on acquiring companies in the UK than any other country. With acquisitions totalling £1.52 billion in the first half of 2008 alone, the UK has become the number one destination for offshore acquisitions by Indian companies, in spite of testing economic conditions. For many Indian investors the UK has genuinely been a key part of their approach to global growth and acquisitions have in many cases given Indian companies access to UK, EU and other markets to speed up growth.

Whilst welcoming companies of all sizes, the UK India Business Council (“UKIBC”) works closely with UK Trade and Investment (“UKTI”) to focus on encouraging and supporting smaller companies and entrepreneurs to consider the UK as a place to grow their businesses, raise finance and locate as a strategic hub for Europe or the United States. Our Prime Minister, Rt. Hon. Gordon Brown MP, launched the UK India Business Angel Network (“UKIBAN”) to facilitate this further during his visit to India in January 2008.

In order to ensure Indian companies are fully informed and supported the UK India Business Council are delighted to publish our guide, “India to UK: Setting up and financing your business in the UK”, as part of our UK India Business Angel Network. The guide aims to position the UK as a 'springboard for global growth' for Indian companies and is designed to provide an overview of the main issues and areas which may be of interest to an Indian company or entrepreneur when setting up and financing their business the UK.

We would like to thank UK law firm Nabarro LLP and accountancy firm Kingston Smith LLP for their input and support in publishing this comprehensive guide. We also extend our thanks to our partners; the UKTI Global Entrepreneurs Programme, the Indian Angel Network and the British Business Angels Association for their continued support.

I am sure you will find the guide both interesting and useful, and my team and I look forward to working with you to capitalise on this exciting time for our two great countries.

Sharon Bamford  
Chief Executive  
UK India Business Council  
September 2008

## MESSAGE FROM THE UKIBAN CO- CHAIRMAN

When the Prime Minister launched the UK India Business Angel Network it was a significant move in realising the potential for trade between the UK and India. Ever since I was an Economics student at university it was clear to me that the major reason why trade between nations falters, even nations as historically close as India and the UK, is market failure. Markets fail for two key reasons: asymmetric information (people just are not aware of the opportunities that are available) and transaction costs (it's too expensive to find and discover those opportunities).

Just as the business of government is not the government of business, so it is that government should involve itself in helping businesses when it is clear there is market failure. The historic proximity between India and the UK has meant that paradoxically, entrepreneurs in both countries have been held back in exploiting the opportunities of globalisation that both countries offer each other.

#### UKIBAN, UKIBC, UKTI

UKIBAN was launched because it was clear to me, that innovative technologically rich companies in India struggled to find the angel investors they so desperately needed to expand into the UK and other parts of the world. But what if angel investors from an increasingly wealthy India, could reach out to like minded angels in the UK, who like most angel investors want to invest in local companies and take them global? At one stroke finance, globalisation and the overcoming of market failure would be achieved.

In centuries past empires were built by explorers hunting for spices in the Orient, the jungles, the forests. They would sail for weeks in search of their fortune. Today empires of capital are built by explorers hunting for technologies in universities, the business schools, and the venture capital offices. We fly for only a few hours and then spend weeks evaluating what we discover. We then bring back our discoveries to the UK to share with the world. The UK still remains a trading nation and a natural home for the world's entrepreneurs to realise their visions.

In my role as India Dealmaker I look for early stage, potentially high growth innovative Indian technology companies, complementing and supported by the work of the UKTI in India which works with much larger companies. UKIBAN with the support of UKIBC looks to provide an infrastructure to expand this whole search and selection to find tomorrow's Reliance or Tata.

I must complement the outstanding work of the UKIBC, Sharon Bamford and Saeqah Kabir in particular on this project and of the FCO and UKTI team in India led by our High Commissioner and his three Deputy High Commissioners and teams on the ground who have always been so supportive, energetic and enthused. It is a privilege to work with you all.

#### The Bigger Picture

The bigger picture of why trade matters goes beyond just creating wealth, and redistributing resources to those less fortunate, through greater infrastructure and forward looking tax policies. The bigger picture is that greater trade goes hand in hand with democracy and the ability of the people to freely pursue their aspirations. Most importantly, in the history of

mankind, rarely have democracies gone to war. Trade ensures, rather than endangers, peace. We are after all beneficiaries of a prosperity and peace not of our own making, but borne of the sacrifices of a greater generation. Therein lies our duty to the next generation and the aptly named initiative from UKIBC of which UKIBAN is a part.

Alpesh Patel,

Co-Chairman UK India Business Angel Network

UKTI Global Entrepreneur Programme India Dealmaker

September 2008

## INTRODUCTION

This guide is for Indian companies and entrepreneurs who wish to set up or expand their business in the UK. The guide also provides some helpful information and tips on how to raise finance in the UK.

### The UK as an attractive location for business

The UK government welcomes and supports overseas companies in establishing themselves and investing in the UK. The UK is one of the largest recipients of Foreign Direct Investment (FDI) worldwide and the government actively encourages Indian businesses to set up in the UK. Unlike in India, there are no restrictions on FDI in the UK and it is possible to invest in almost any sector.

This is a great opportunity for Indian entrepreneurs and companies to make use of the dynamic and international business climate that is to be found in the UK, as well as a highly skilled workforce. Moreover, a transparent tax regime, the familiarity of the English language and similar legal and accounting systems makes the UK an appealing destination for Indian firms.

### Fair business market

The UK's regulatory environment has been designed to be supportive of the needs of both business and the investor community. Regulations in the UK are generally developed in consultation with the business community and are transparent, easy to understand and encourage investment and healthy competition. Foreign-owned companies are treated in the same way as their domestic counterparts with very few restrictions on foreign ownership and no limitations on the free flow of capital.

### Gateway to Europe

The UK is at the heart of European business and many corporations have set up their European headquarters in the UK. Europe is a well developed economy and it makes strategic sense for Indian companies to establish a presence in the UK to access the European market.

A key benefit of the European Union is the single market which provides freedom of movement of people and goods, enables the flow of capital and the ability to provide cross border services between member states.

### Access to investor funding

The UK financial services and private equity industry is the largest and most developed in Europe accounting for 57% of the total annual private equity investment in the EU, and is second only to the USA in terms of global activity. Private equity makes a significant contribution to the financial services industry and the UK government strongly supports collaboration between investors and entrepreneurs. For more information please refer to the section on Raising Finance.

### Highly-skilled work force

The UK has a highly-skilled work force and Indian companies can benefit from a flexible working environment with access to temporary workers, part time employees and employees

who job share.

Research and Development (R&D) capabilities are extremely high among the UK workforce with 5.5% of global R&D originating from the UK.

Other advantages of coming to the UK include access to highly developed logistics and communications infrastructures, historically a low level of inflation and long term political and economic stability.

## LEGAL

**OPTIONS FOR SETTING UP IN THE UK**

Once you have taken the decision to set up in the UK, there are various legal structures that you can adopt in order to commence your business operations. The most appropriate structure will depend on a combination of your commercial objectives, the degree of permanency required in the UK as well as legal and tax considerations.

Generally businesses in the UK are set up and operated in one of the following ways:

- Sole Proprietorship
- Partnership
- Private Limited Company
- Public Limited Company

It is also possible however to carry out business in the UK by:

- opening a branch office
- entering into a joint venture
- appointing a distributor or agent
- acquiring an existing company

This guide focuses on the most common ways of doing business in the UK and those most likely to be of interest to Indian companies and entrepreneurs.

**Partnership**

In the UK a partnership will arise between two or more persons who agree to carry on business in common with a view to profit. Partnerships can be general partnerships, limited partnerships and limited liability partnerships. Limited liability partnerships are a relatively new form of partnership in the UK that offers limited liability to its members (unlike general partners whose liability is unlimited). A limited liability partnership is a hybrid between a partnership and a company in that it is a body corporate with a separate legal entity, but the relationship between the members is governed by a private contract rather than through a constitutional document.

A partnership arrangement can be a tax efficient vehicle since it is generally fiscally transparent for UK tax purposes. This means that each partner, whether a company or an individual, will be subject to UK tax on his/her share of the profits, instead of the limited liability partnership as a separate legal entity having a UK tax liability.

**Private limited company**

Incorporating a company in the UK is a simple process and can be carried out within 24 hours. You can either buy an “off the shelf” company which will not have previously traded and will be free from any liabilities, or you can incorporate a brand new company. A private company must have at least one director and you can also appoint a company secretary (although a secretary is no longer compulsory for private companies).

A UK subsidiary of an Indian company will have a separate legal identity from its parent company. Provided that no guarantees are given by the parent company, the liabilities of the subsidiary are ring fenced from the liabilities of the parent company and the parent company is not responsible for them. In return for the benefit of limited liability however, the UK subsidiary company will (subject to the exemptions for small and medium sized companies) have to file audited accounts every year with the Registrar of Companies. The accounts for UK companies must be filed at companies house and are therefore available for public inspection which comply with UK Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS). There is no requirement to file the financial statements of any Indian parent company in the UK.

If dividends are paid to an Indian parent company by a UK subsidiary, the UK India double taxation treaty does not allow relief for underlying UK corporation tax paid. Specialist tax advice should be sought when considering the double taxation position in relation to your UK subsidiaries.

#### Branch office

If you do not wish to incur the costs and assume the responsibilities of owning a company registered in the UK then you may consider setting up a branch office of your India-based business. The UK branch will not have a separate legal identity from the Indian company and the Indian company will be fully responsible for the liabilities of its branch.

There is a need to file with the Registrar of Companies certain information within one month of opening the branch, including:

- the name of the Indian company, place of incorporation and legal status
- the branch address in the UK
- details of the business activities
- names and addresses of the authorised persons who will represent the company in the UK as its permanent representatives at the branch and the extent of their authority
- certified copies of the company's constitutional documents
- particulars of the law under which the company was incorporated in India
- details of the Indian company's directors and secretary

The Indian company will be obliged to file its accounts (and if a holding company, group accounts) with the Registrar of Companies in the UK every year. If the company is required to publish audited accounts in India, these must be filed in the UK within three months of public disclosure in India. If there is no public filing requirement in India, the company's accounts must nevertheless still be filed and contain as a minimum a balance sheet, profit and loss account and certain notes.

It is important to note that since a private company in India is not required to make its accounts publicly available under Indian law, once it opens a branch in the UK it will be obliged to make its accounts publicly available in the UK within 13 months of the accounting reference date. It is generally considered preferable to incorporate or acquire a subsidiary company in the UK to avoid public disclosure of the accounts of the company in India if the privacy of accounts is

important to the Indian company.

### Branch vs. Subsidiary

Below is a table summarizing some of the key differences between opening a UK branch office and incorporating (or acquiring) a subsidiary in the UK.

Branch	Subsidiary
Same legal entity as non-UK company	Separate legal entity
Non-UK company liable under contracts	Liability generally ring fenced in the UK within subsidiary
Subject to UK Corporation Tax on UK "Permanent Establishment" profits	Subject to UK Corporation Tax on worldwide income
UK profits taxed at 28%	All profit taxed at 28%
No withholding tax on profits paid from UK	No withholding tax on dividends paid
20% with holding tax on interest – can be reduced under certain tax treaties	20% with holding tax on interest – can be reduced under certain tax treaties
Interest and royalties to "parent" company not tax deductible	Interest and royalties to "parent" company deductible if at "arm's length"
No statutory audit requirement	Statutory audit required – no available exemptions
Must file non-UK (audited) financial statements on public record	Must file UK GAAP financial statements of subsidiary on public record
Can be perceived to be a "weak" presence in the UK	A "strong" presence in the UK
Must have at least one UK based representative	Must have at least one director (not necessarily UK-based)
Contracts in the name of the Indian company	Can contract in its own name

### Joint ventures

If your business venture in the UK relies on the services or co-operation of another party to achieve a shared commercial objective, you may want to consider entering into a joint venture. This would involve a commercial arrangement between the two of you and could take the form of either a partnership, a corporate structure or a purely contractual agreement.

### Agency and distribution arrangements

An alternative route to establishing a business presence in the UK is via the appointment of a distributor or an agent in the UK. This can be an effective way of testing the UK market first before setting up a more permanent business presence in the UK and incurring all the associated costs of doing so, such as hiring staff and buying premises. An agent or distributor with sound knowledge of the local market can be a vital resource during the early stages of entering the UK.

An agent acts as an intermediary between you or your company (as the "principal") and a third party (the customer) by soliciting orders from the third party or by concluding contracts with the third party on your behalf. The agent has no direct contractual relationship with customers and you will retain more control over the commercial arrangements. The UK Commercial Agents Regulations 1993 (the "Regulations") govern the rights and obligations of agents appointed for the sale of goods. Legal advice should be taken when entering into agency arrangements as substantial termination payments to the agent can arise under the Regulations in certain circumstances.

Unlike an agent, a distributor will take legal title to the goods in question and resell them to its own customers. As a supplier therefore you will have much less control over a distributor than an agent. In addition, UK and EC competition law impose further restraints on the freedom of a supplier to fix resale prices on a distributor. When selling through an agent however, you have the freedom to fix your own prices for sale and retain a direct relationship with the customer.

### Acquiring an existing company

Instead of incorporating a brand new company in the UK, you can of course acquire an existing company by purchasing the shares in that company. The shares in a UK company are transferred by way of a share transfer form and you will need to pay stamp duty at the rate of 0.5% of the total consideration payable for the shares.

You will also enter into a share purchase agreement which will typically include a range of warranties and indemnities in respect of the business which are given by the seller to underpin the assumptions made by you in agreeing to the price. Acquiring an existing trading company may enable your business to expand more quickly in the UK as there is likely already to be an established customer base and general infrastructure in place.

Please note that business incubation is also a useful option when setting up in the UK as it is a support process that helps develop start up companies by providing entrepreneurs with targeted resources and services including shared premises and business advice.

## COMPANY LAW

The Companies Act 2006 is the primary legislation governing companies incorporated in the UK. One of the principal aims of the Companies Act 2006 is to simplify the way in which small private companies operate and to lessen the regulatory burden on them. Some of the key areas of company law are set out below:

- The directors of a UK company owe duties to the company, including a duty to promote the success of the company act within the powers of the company, avoid conflicts of interest, not accept personal benefits from third parties, declare interests in proposed transactions and arrangements with the company, use reasonable care, skill and diligence, and exercise independent judgment (Please see section on Director's responsibilities below)
- All registered UK companies must have a set of Articles of Association (“Articles”). Model articles will be prescribed for both private and public companies. As from October 2009 these will apply by default to any company of the relevant type which is formed and registered under the Companies Act 2006, to the extent that it does not choose to modify or exclude the provisions of the relevant model articles in its own registered Articles
- All companies are obliged to keep statutory books at their registered offices, which include a register of members, directors and their interests and a registrar of charges over the company's assets
- Only public companies can offer their shares or debentures to the public. A private limited company is prohibited from doing so. A public company must have a minimum share capital of not less than £50,000, a quarter of which must be paid up, before it can commence business
- A private company is required to have at least one director who need not be a British national or resident. It also needs only one shareholder. Currently a public company must have at least two directors and two shareholders, although this will change as from 1 October 2009 to one shareholder
- Unlike under Indian company law there is no minimum share capital requirement in the UK for private companies for the use of certain name
- A company will need to register its company name at Companies House and there are some restrictions on names that you can choose. For example, you cannot register names that are too similar to other company names. As from 1 October 2009, the restrictions on the use of business names will also extend to overseas companies carrying on business in the UK. There are no minimum share capital requirements in the UK for the use of certain names
- A company must (subject to some limited exceptions) appoint auditors who are UK registered. A set of audited accounts must be prepared each financial year and filed with the Registrar of Companies. Unlike in India where all companies are required to have their accounts audited, there are various exemptions from the requirement in the UK for small and medium size enterprises

### Directors' responsibilities

The directors of a UK company must have regard to all of their statutory duties as set out in the Companies Act 2006 (see above). In particular, the directors of a UK joint venture company must be aware if they are also on the board of one of the joint venture partners (i.e. the Indian company), of the need to avoid situations in which he has a direct or indirect interest that conflicts, or may conflict, with the interests of the UK company. The Companies Act 2006 allows a director to continue to act notwithstanding the conflict upon being authorised by the board if certain conditions are satisfied. In the case of a private company, a conflict can only be authorised by the board when there are no impediments in the company's constitution to such authorisation and provided the matter is agreed without the conflicted director counting in the quorum or voting on the resolution.

In addition to the duties set out in the Companies Act 2006, directors of a UK company must also consider the interests of creditors, particularly when the company is in financial difficulties. If there is no reasonable prospect of the company avoiding an insolvent liquidation then the directors must do all that they can to minimise the loss to the creditors. A liquidator of an insolvent company has the power to apply to the court for a declaration that the directors be required to make such contributions to the company's assets as the court thinks proper if it appears that the business of the company has been carried on with the intent to defraud creditors (fraudulent trading), or if at some time before the winding up the directors knew, or ought to have concluded that there was no reasonable prospect that the company would avoid going into an insolvent liquidation (wrongful trading). Fraudulent trading is a criminal offence in the UK.

### Real Estate

There are a number of different interests that can be created in English real estate. The most common for commercial occupiers however are freehold and leasehold. Ownership of a freehold means that you own the property absolutely. In general terms, a leasehold interest is essentially a contract entitling you to occupy land or buildings for a set period of time at a given rent. Depending on the period of the lease, as the occupier you will enter into various obligations with your landlord governing what you can and cannot do with the premises. The term of lease can vary from a few days to hundreds of years.

In general the longer the term of leasehold interest, the greater the capital outlay to buy the interest, but you will be subject to fewer restrictions on your use of the premises and will expect to pay a lower rent than in a shorter term lease.

### SDLT and VAT

Any real estate transaction in the UK is potentially subject to Stamp Duty Land Tax ("SDLT"). In essence, SDLT is a transfer tax payable to the UK Government on the acquisition of an interest in land. SDLT rates are up to 4% based on the value of the transaction. There are various detailed rules and assumptions governing whether SDLT is payable and the rate which will apply.

In addition, most real estate transactions are also subject to value added tax (VAT) at the current rate of 17.5% of the purchase price. This is recoverable from HM Revenue & Customs in certain circumstances.

## EMPLOYMENT IN THE UK

Employee rights in the UK are derived from both contractual provisions and legislation, which is now derived predominantly from European law.

Unlike in India, UK employment laws are extremely stringent and legal advice should be taken before acting as the penalties for non-compliance can be severe and damaging for the reputation of your business.

Employment rights are extremely diverse and include the following:

- Rights during employment including rights to a minimum level of wage prescribed by government, statutory sick pay during periods of sickness, maximum weekly hours of work and prescribed rest breaks, rest periods and annual holiday entitlement, protection and (where applicable) payment during periods of maternity, adoption, paternity and parental leave
- Rights on termination of employment including rights to a minimum period of notice (according to length of employment), a statutory redundancy payment (where applicable) and the right not to be unfairly dismissed
- Additional rights including the right for male and female employees to receive equal pay and the right for all employees not to be discriminated against (whether when recruited, during employment or on termination of employment) on grounds of sex, marital status, race, disability, sexual orientation, religion, belief or age. In addition, legislation preserves employees' continuity of employment and existing terms of conditions where such employees are employed in an undertaking which transfers from one entity to another (e.g. in the context of the sale of a business)

### Contracts of Employment

A contract of employment may be written or oral and terms may be express or implied. Legislation requires you as an employer to give all employees a written statement of their main terms and conditions of employment within two months of commencing employment. You must notify employees in writing of any change to the statement within one month of the changes. In practice, many employers in the UK have standard terms and conditions of employment for their employees which extend beyond the statement required by legislation.

### Redundancy payment

An employee is entitled to receive redundancy payment if he/she has provided at least 2 years of service and has been dismissed on redundancy grounds. The redundancy payment is linked to the employee's age, length of continuous service with you as the employer and their weekly pay. As the employer you must provide a written statement showing how the payment has been calculated, and you must also strictly follow certain prescribed procedures.

### Unfair dismissal

You cannot dismiss an employee who has worked for you for more than 1 year without a fair reason. There are six potentially fair reasons for dismissal including conduct, capability, illegality, redundancy, retirement and "some other substantial reason".

### Financial obligations

As an employer in the UK you have a number of financial obligations in relation to your employees including the deduction of income tax and employee national insurance contributions from their salary at source. You are also obliged to make additional employer national insurance contributions. The level of tax and national insurance contributions depends on the level of an employee's earnings. These deductions together with the employer national insurance contribution must be paid over to HM Revenue and Customs on a monthly basis.

### Foreign workers

An Indian national will need a work permit to be eligible to work in the UK. The Home Office issues all work permits which can be valid for up to a maximum of 5 years. The proposed salary of the foreign worker should not be below the prevailing minimum wage in UK. There should also be clear evidence that an European Economic Area resident is not available to fill this position. Please refer to the Home Office for further information.

### Employee secondment packages

A company based in India may wish to second employees to work in the UK either with a group company or a third party, such as a customer for example. Employees are normally seconded on their existing terms and conditions of employment, although additional terms (or a variation of existing terms) may be agreed for the duration of the secondment and it is possible for seconded employees to acquire UK employment rights whilst seconded to the UK.

In the absence of any specific tax planning employees seconded to work in the UK are subject to UK income tax on their salary at a rate of up to 40%. However, if a secondment package is structured correctly, UK income tax and national insurance contributions can be drastically reduced or in some cases eliminated entirely.

Below is a brief description of the main planning opportunities that may exist for secondees from India to the UK:

#### Exemption from UK Tax where employees are seconded to the UK for less than six months

Under the UK and India Tax Treaty it is possible to make a claim that results in employees being able to work in the UK for up to six months in each UK tax year (6th April to 5th April) without being liable to UK income tax on income derived from carrying out employment duties in the UK.

#### Claim for detached duty allowances

Where an employee is being seconded to the UK for less than 24 months it is possible to agree with HM Revenue and Customs (the UK tax authority) that the proportion of their salary that is spent on accommodation, food and sustenance, council tax and utility bills and travel to work from home can be paid to them free of tax.

Depending on the level of salary being paid to the employee these tax free amounts, together with the tax free allowance of £6,035 (2008/09) that all individuals working in the UK are entitled to, can significantly reduce liability to UK taxes.

### Claim that salary in respect of days working outside of the UK is only taxable if received in the UK

Where an employee is seconded to the UK but spends some time working outside of the UK (e.g. in mainland Europe) then the proportion of the employee's salary attributable to days worked outside of the UK is not subject to tax in the UK provided it is not received into a UK bank account (or remitted to the UK in some other way).

Therefore, if an employee spends 3 months a year working in Europe then 25% of their salary could be treated as being exempt from UK taxes if it is paid into a bank account outside of the UK and other necessary steps are taken. The personal allowance of £6,035 (for 2008/09) however is lost if this exemption is claimed.

### Exemption from UK National Insurance (Social Security)

Employees seconded from India to the UK are exempt from UK national insurance for a period of 52 weeks. The employer is also exempt from paying national insurance contributions during this period. These contributions could be as high as 12.8% of the employee's salary.

### Domicile

The concept of domicile is almost unique to the UK and being designated non-domiciled can be a very beneficial tax status to hold. A person is domiciled in the place where they consider home. Normally this is defined in terms of a person's "domicile of origin" which is taken from their father but if strong ties are formed with a new jurisdiction and old ties are severed with the old jurisdiction, a "domicile of origin" will be replaced with a "domicile of choice."

HM Revenue & Customs generally accept that if a person has come to the UK solely for the purposes of working with a view to returning to their home country in the future, the "domicile of origin" is retained so employees seconded temporarily from India to the UK will be considered Indian domiciled for UK tax purposes.

Normally an individual who is tax resident in the UK is subject to UK income and capital gains tax on their worldwide income and gains. However, where that person is domiciled outside of the UK, it is possible to submit a claim so that the income and gains arising outside of the UK (e.g. rents from non-UK property, interest on a non-UK bank account, dividends from a non-UK company, etc.) are taxable only if remitted to the UK. Therefore, UK tax can be avoided on non-UK income and gains simply by keeping these funds outside of the UK.

If the non-UK income or gains total is less than £2,000 in a tax year then the "remittance basis" can be relied upon by non-domiciled individuals. However if the unremitted foreign income or gains exceeds £2,000 in a tax year then there is a cost to submitting the claim on the "remittance basis". For individuals who have been resident in the UK for 7 years or less, the cost is the loss of UK personal income tax and capital gains allowances that could be worth over £4,000 (2008/09) to a taxpayer. If an individual has been resident for more than 7 years, in addition to the loss of personal allowances, there is an additional charge of £30,000. This is a complex area and advice should be sought before seeking to rely on or claiming on the "remittance basis".

### Health and Safety

Under UK law, all businesses, the self-employed and employees are required to comply with the statutory health and safety regime. This is governed by the Health and Safety at Work etc. Act 1974, and includes a raft of associated regulations, as well as guidance and Approved Codes of Practice.

The legislation aims to protect the health and safety of employees, contractors and members of the public. Some of the key features of the legislation that apply to most businesses include the requirements to:

- register with either the Health and Safety Executive (HSE) or local authority (depending on the type of business)
- appoint someone competent to monitor your health and safety duties (this may or may not be an external consultant)
- provide health and safety training for all workers
- ensure your workers have safe equipment to use at work, including appropriate visual display equipment and
- report certain work-related accidents, diseases and dangerous occurrences

### Liability insurance

As an employer or business owner, you will be legally responsible for any damage or injury caused by negligence or breach of duty to employees, customers and the public. It is important therefore that you take out liability insurance to cover any compensation and legal costs that may arise if you are found to be at fault. The main types of liability insurance are listed below:

- Employers' liability compulsory insurance
- Public liability insurance
- Product liability insurance
- Pollution risk insurance
- Property owners' liability insurance
- Professional indemnity insurance and
- Directors' and officers' liability

Failure to have adequate cover can have serious consequences, especially for small businesses. You should therefore seek specialist advice as to the appropriate type and level of insurance that is adequate for your business.

## IMMIGRATION TO THE UK

An Indian individual seeking to set up a business or work in the UK, will need to obtain permission to do so before travelling to the UK.

The UK immigration rules are currently undergoing fundamental changes as the UK moves to the Points Based System ("PBS"). At present, part of the PBS is already in force and other parts will be introduced during the rest of 2008 and 2009.

In addition to the points requirement for each tier, you are likely to have to demonstrate that you have a specified amount of money to support yourself and any dependants, and that you are able to speak English.

The PBS consists of five tiers. Those that will be relevant to an individual intending to set up business or work in the UK, or an Indian company wanting to transfer employees to the UK, are as follows:

### Tier 1

This tier is now fully in force and covers:

- Highly skilled workers who can come to the UK to look for work or self-employment opportunities. They do not need a job offer and they will be awarded points for qualifications, previous earnings, UK experience and age
- Entrepreneurs who want to invest in the UK by setting up or taking over and being actively involved in the running of one or more businesses in the UK. An entrepreneur will not be able to take up employment in the UK
- Investors who want to make a substantial financial investment in the UK. An investor does not need a job offer in the UK but will be permitted to work if he wishes

### Tier 2

This tier includes:

- Intra-company transfers – for example, where an Indian company wants to transfer an existing employee to a related business in the UK
- Shortage occupations – a list of recognised shortage occupations will be published by the UK Border Agency
- A job offer that passes the 'Resident Labour Market Test' – the UK employer will have to show that the job has been advertised in the UK/EEA and that there is no suitably qualified worker from the UK/EEA to fill the post

All applicants in Tier 2 must have a certificate of sponsorship from their proposed UK employer which must be registered as a sponsor with the UK Border Agency.

Please check the Home Office website for further information on the PBS.

### Work permits

The work permit scheme is due to be replaced by Tier 2 in November 2008. A UK employer must apply for a work permit in respect of a specific employee to enable him or her to do a specific job in the UK. Work permits are only issued for jobs that require a degree level

qualification or substantial specialised experience and to individuals who have those qualifications or experience. A work permit application can be made for an intra-company transfer, a shortage occupation or a job that has been advertised in the UK and EEA in accordance with the work permit rules.

### Business Visitors

You may wish to come to the UK on a short-term basis to do business. An individual can come to the UK as a business visitor for up to six months provided they are only transacting business directly linked to their employment outside the UK and that they continue to be paid a salary from abroad. The individual must not, however, undertake productive work in the UK (i.e. a hands on management or administrative role or having any direct executive responsibilities).

As an Indian national, you must obtain a visa to come to the UK as a business visitor.

### Data protection in the UK

#### The Data Protection Act 1998

As an Indian company setting up a business in the UK, you will need to consider carefully whether you will have any obligations under the Data Protection Act 1998 (“DPA”). The DPA requires that all organisations that handle personal information comply with a number of data protection principles regarding privacy and disclosure. Personal data means data that relates to a living individual, such as their name, address and salary details and personal sensitive data meaning data relating to racial or ethnic origin, sexual orientation, trade union membership or religious beliefs.

The DPA covers both UK registered companies and overseas companies who maintain an office, branch or agency in the UK and individuals who are ordinarily resident in the UK. An Indian company with a branch office in the UK will therefore need to comply with the DPA.

#### Exporting data from the UK to India

The DPA prohibits the transfer of personal data outside the EEA to any country that does not ensure an “adequate level of protection” for the rights and freedoms of data subjects in relation to the processing of personal data. Cross-border transfers of personal data are becoming more common due to the flow of information over the internet, the spread of multi national corporations and the increased trend in outsourcing back office and HR functions of organisations.

Your company may need to transfer data from its branch or UK subsidiary to a company in India. The UK data protection regime prohibits the transfer of personal data outside the EEA unless adequate safeguards are in place to protect the exported data. If you do not have the consent of the data subjects to transfer the data to India then, unless transfer of the data is deemed necessary to fulfil a contract, the simplest way to ensure adequate data protection will be to use the European Commission model contract clauses or binding corporate rules in the case of intra-group transfers.

### Money Laundering

There is a strict anti-money laundering regime in the UK which forms part of an initiative to tackle criminal activity worldwide. Money laundering is the exchange of money (or other

assets) obtained criminally for 'clean' money (or other assets), that is, money with no obvious link to its criminal origins. It includes money used to fund terrorism. The relevant UK requirements and penalties are found in the Money Laundering Regulations 2007, the Proceeds of Crime Act 2002 and the Terrorism Act 2000.

In the course of setting up and carrying out business in the UK, you are likely to need the services of professionals who will be subject to the anti-money laundering regime, for example, banks, solicitors, accountants, tax advisers and insurance brokers. Under 'KYC' (know your customer) obligations, they will need to carry out identification and verification checks in respect of you and your business, monitor your business activities, and report any suspicious activities to the Serious Organised Crime Agency (SOCA). The documents that they will require from you as proof of identification and verification will vary according to whether you are an individual or a company.

### Identification documents

#### Individuals

Documents you will typically need to provide include:

- proof of identity (certified copy of a passport) and
- proof of address (certified copy of an official document which shows your address such as a utility bill or bank statement no more than 3 months old)

Banks or other regulated professionals may carry out their own additional identification checks.

#### Companies

If you are part of a group, you will need typically to provide the following documents (or certified copies) in respect of the parent company in India:

- constitutional documents
- proof of solvency
- proof of identification/address (in the form described above) of the principal director/shareholder and
- copies of annual reports and accounts

You can expect to be asked for detailed information about how you plan to carry out business in the UK and will need to show that you are authorised to represent the company (for example, in the form of an original or certified copy of a letter of authority on the company's letterhead). You should also be aware that banks are obliged to verify the chain of ownership of companies to the underlying beneficial owners to understand the full structure of the company and to identify and check all sources of funding.

## IPR

### Intellectual Property

Intellectual property rights (IPR) provide competitive advantage and can be one of the most important assets that a company owns. They can be owned, transferred and exploited like any other form of personal property.

The UK has established laws in place protecting a range of intellectual property rights including:

- copyright - protects original literary, dramatical, musical and artistic works, including software codes
- patents – protects technical inventions (products and processes), including computer implemented solutions and technical problems
- designs – protects the appearance of a product
- database rights – protects the investment in either the obtaining, verification or presentation of the contents of a database
- confidentiality – protects information; and
- trade marks – protects brands

### Protect IPR in the UK

Copyright and database rights arise automatically on creation of work. There is no system of registration for these rights in the UK. For copyright works however claim should be laid to the rights that already exist. This can be done by ensuring that all “works” are labelled with an appropriate copyright notice identifying the owner and year of creation. Accurate records of by whom and when the works were created should also be kept.

Inventions can be protected by obtaining a patent. It is essential that the invention and any know-how relating to the invention is kept confidential (throughout the world) prior to the filing of the patent application. Any unprotected disclosure of the invention (or any part of it) will destroy the patentability of the invention.

Trade marks and designs can both be protected through registration. Rights in trade marks however can also arise through use and can be protected through a tortious claim of passing-off. Similarly, rights in designs will arise automatically on creation of the work. However, the registration system offers a quicker, easier and often a more cost-effective way of seeing off infringers (in the case of trade marks) and longer term protection (in the case of designs).

Confidential information in the UK is protected by law even in the absence of a confidentiality agreement. It is best practice however to use a confidentiality agreement wherever possible. The confidentiality agreement should accurately identify the information that you intend to disclose and the purpose for which you intend to disclose it. Even where the intended recipients have signed a confidentiality agreement, it is best practice to label all documents and materials containing confidential information "Strictly Private & Confidential".

### System for obtaining European-wide registration

For patents, trademarks and designs, the European-wide registration system operates in parallel to the national system. This provides protection in all 27 member states of the European Union. European-wide registration is more expensive, but if you have plans to operate in three or more territories, it is good value.

### Rules on ownership of employee created works

Copyright and design rights in creative works developed during the course of an individual's employment will be owned by the employer in the first instance. Nevertheless, employers are advised to re-state the position under general law in their contracts with employees.

### Further information

Prior to entering the UK market, whether under your existing or a newly developed brand, it is advisable to carry out appropriate legal checks and assess the risks of infringing another party's trade mark rights. Specialist advice should be sought to ensure that an appropriate and cost-effective search strategy is adopted. Early searching and awareness of conflicts prior to launch in the UK can prevent a forced re-branding after your trade mark has already become established in the market.

### Competition rules in the UK

Competition law in the UK is governed by two regimes: UK Competition law (contained mainly in the Competition Act 1998 and the Enterprise Act 2002) and where there is a European dimension, European Union competition law (derived from Articles 81 and 82 of the EC Treaty). The UK law has been designed to mirror the European law so the two systems are almost identical. Companies entering the UK market or doing business with UK entities should be aware of the relevant competition law as breaches can attract serious penalties ranging from fines to imprisonment.

Competition law in the UK is broadly similar to competition Law in India and can be separated into three categories: anti-competitive agreements, abuse of dominance, and merger control.

### Technology licensing in the UK

Within EU law there is an apparent conflict between competition law, which prohibits agreements which restrict, distort or prevent competition and national laws protecting Intellectual Property, which aim to prevent third parties from using your proprietary technologies without authorisation. Competition law however makes exceptions for certain technology licences as they are considered to be generally pro-competitive, allowing technical knowledge to be shared and encourage innovation. This approach is reflected by Commission Regulation 772/2004/EC (Technology Transfer Block Exemption), which permits certain agreements that would otherwise be unlawful on the basis that the benefits for competition resulting from those agreements outweigh the potential restrictions on competition. Before entering into technology licencing agreements you should seek specialised legal advice to ensure that the arrangements will benefit from the Technology Transfer Block Exemption.

## ACCOUNTING AND AUDITING PRACTICES IN THE UK

## ACCOUNTING AND AUDITING REQUIREMENTS

Currently in the UK a company must file a annual statutory financial statements with Companies House. The level of detail required in the financial statements is defined by the size of the company.

For the accounting periods beginning on or after 6 April 2008, the limits are:

	Turnover (not more than)	Balance Sheet Total (not more than)	Number of employees (not more than)
Small Company	£6.5m	£3.26m	50
Small Group	£6.5m net (or £7.8m gross)	£3.26m net (or £3.9m gross)	50
Medium Company	£25.9m	£12.9m	250
Medium Group	£25.9m net (or £31.1m gross)	£12.9m net (or £15.5m gross)	250

To be categorised as either a small or medium company (or group), a company (or group) must not exceed any 2 of the 3 applicable size limits as set out in the chart above. For example, a company with a £2m turnover but gross assets of £7.5m and 55 employees will be classed as a medium sized company. If a company exceeds the medium company limits it will be classed as a large company.

Both small and medium sized companies can file abbreviated accounts with companies house, which are reduced financial statements. However, full accounts will still need to be prepared for shareholders.

For a small company the abbreviated accounts should include:

- an abbreviated balance sheet and notes
- a special auditor's report (unless the company is claiming audit exemption).

Abbreviated accounts for a medium sized company should include:

- the abbreviated profit and loss account
- the full balance sheet
- a special auditor's report
- the directors' report
- notes to the accounts

For more information on filing accounts please visit [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

Small companies can also take advantage of the FRSSE (financial reporting standard for smaller entities). This reduces the number of disclosures required in the accounts of small companies.

Public listed companies, banks and certain companies performing insurance activities do not receive any size exemptions and must prepare large company accounts.

### Group accounts

Group accounts will be required for accounting periods commencing on or after 6 April 2008, for medium and large groups. Only small groups will be able to claim exemption from these reporting requirements. Groups that contain public listed companies, banks and certain companies performing insurance activities, will have to prepare group accounts.

### Filing requirements

The financial statements of a private limited company must be filed at Companies House within 10 months of the year end. For accounting periods beginning on or after 6 April 2008 this has been reduced to 9 months.

The financial statements of a public listed company must be filed at Companies House within 7 months of the year end. For accounting periods beginning on or after 6 April 2008 this has been reduced to 6 months.

For a company's first financial period the filing deadline is currently 22 months after the date of incorporation, as against 18 months in India, therefore reducing the time between the period end and the filing deadline if the period is greater than 12 months.

### Auditing requirements

A company requires an audit in the UK if it falls into one of the following criteria during the current financial year:-

- Turnover exceeds £6.5m
- Gross assets exceed £3.26m or
- The company is a public listed company (plc), a bank or is performing certain insurance activities

Companies that do not exceed the audit thresholds may still decide to have an audit for commercial reasons, for example:

- The parent company is audited and the auditors may want the subsidiaries audited
- To secure bank/other external funding or
- To give potential suppliers comfort that the company has a external review of its affairs

## TAXATION POLICIES IN THE UK

### Corporation tax (“CT”)

Overseas companies having a branch or a subsidiary in the UK are subject to corporation tax on their profits (income plus gains) arising in an accounting period.

This tax liability has to be paid by the company either:

- for small companies within 9 months and 1 day after year end or
- for large companies, in four quarterly instalments commencing mid-way through the year in which the profits are earned

An accounting period for tax purposes cannot be more than 12 months. Company accounts prepared for a period of more than 12 months are apportioned between the first 12 months and the remainder for the purpose of calculating the Corporation Tax Liability.

Corporate Tax Rate for 2008-2009	
Taxable profits < £300,000	21.00%
Taxable profits between £300,000 and £1.5m	29.75%
Taxable profits > £1.5m	28.00%

### Transfer Pricing

UK tax legislation, specifically Schedule 28AA of the Income and Corporation Taxes Act 1988, deals with the transfer pricing rules. These rules are similar to those existing in India under the transfer pricing rules stipulated in the Indian Income Tax Act. The overriding principle of the UK's transfer pricing rules is that transactions between certain associated or related parties should take place on an arm's length basis to avoid an enquiry or investigation from any tax authorities.

The UK Transfer Pricing legislation governs the price set for Corporation Tax purposes for property of all kinds sold, and for services or business facilities of whatever kind (including the provision of finance at low or nil rates of interest) supplied by one company to another associated with it. Companies are related or associated for this purpose by or if there is a significant degree of ownership or control by one company of another, or common ownership or control.

This means that care needs to be taken where there are transactions (including provision of services that have not been recorded in the accounting records of the companies such as management time in India spent on UK related matters) between the Indian and UK operations of the business.

The rules require that UK businesses maintain sufficient documentation to justify their transfer pricing policy which, depending on the scale of the UK operations and cross border transactions, could include functional reviews and bench marking studies. The penalties and enquiry powers of HM Revenue & Customs under the UK Corporation Tax Self-Assessment system extend to the obligation of UK businesses to comply with the Transfer Pricing rules and

this is an area that is being increasingly scrutinised by HM Revenue & Customs in their enquiries.

#### Withholding taxes and double taxation agreement (DTA)

Where certain sources of income arise in the UK (i.e. are paid from the UK), there is an obligation on the payer of that income to deduct tax at source as UK sourced income is taxable in the UK even if the entity receiving the income is not based in the UK.

As you can see from the table below, there is no obligation to deduct tax from dividends paid by UK companies to non-UK shareholders (or, for that matter, from branch profits repatriated to India). However, there is a withholding requirement from payments of interest and royalties by UK entities.

Source of income	Without DTA	With DTA
Dividends	0%	0%
Interest	20%	15%
Royalties	20%	15%

The DTA reduced rates will only apply if a claim is made by the Indian company. In the absence of such a claim the normal domestic withholding tax rates will apply.

#### VAT

Value added tax (VAT), is a sales tax levied on the sale of goods and services. The real tax normally falls on the final consumer, with the intervening businesses acting as collecting agents for the government. On registration, a VAT number is obtained from the local VAT office. The VAT number should be stated in all the invoices of the company.

The UK subsidiary or the branch of the Indian company must register for VAT with HM Revenue & Customs if it exceeds an annual turnover of £67,000 (2008/09) in the last 12 months or the company expects to exceed the limit at any time over the next 30 days.

There are three rates of VAT in the UK. A rate of 0% applies to various foodstuffs, public transport and exports; 5% applies to some qualifying use of fuel and power, and certain residential property conversions; and 17.5% is the standard rate. Education, finance, health and some insurance services are exempt from VAT. Businesses that are required to charge VAT on the goods or services they sell can recover the whole or part of the VAT incurred on the purchases made in generating the sales. The net amount of VAT, after deducting recoverable VAT, must be paid over to HM Revenue and Customs on a regular basis (usually quarterly) supported by a tax return.

For more details on VAT please visit [www.hmrc.gov.uk/vat/index.htm](http://www.hmrc.gov.uk/vat/index.htm)

## TAX RELIEF

### R&D tax credits

Research and development (R&D) tax credits are available for large corporations and SMEs investing in R&D:

#### Large corporations

In addition to the normal 100% deduction, large companies are entitled to a further deduction from their taxable income of 25% (to increase to 30%) of their current spending on qualifying R&D. For example, if a company spends £100,000 on qualifying R&D, it will be able to deduct £100,000 from its taxable income under ordinary tax rules and an additional £25,000 under the R&D tax relief rules. For a company paying the main rate of corporation tax at 28%, the relief would, therefore, give an additional reduction in tax of £7,000.

#### SMEs

In addition to the normal 100% deduction, SMEs are entitled to a further deduction from their taxable income of 50% (to increase to 75%) of their current spending on qualifying R&D. SMEs that do not make any profit can surrender their qualifying R&D losses in return for a cash payment. This is known as payable R&D tax credit.

#### Group relief

Group relief allows a company to claim the benefit of trading losses, losses on property letting, management expense and certain other reliefs of another company if both companies are members of the same group. However, it is not possible to claim losses from a non-UK company against the profits of a UK company even if they are part of the same group.

The objective of the group relief is to make the tax treatment of a group which is carrying on different businesses through different companies closer to what it would have been if those businesses had been carried on by a single company. A group is defined when one company owns 75% of the other, or a third company owns 75% of both of them.

#### Trading loss

A company can claim a tax relief on losses if the business is producing a loss. Depending on circumstances, losses can be carried back, surrendered as group relief or carried forward to offset against future profits.

For more details on UK tax practices, please visit [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

## RAISING FINANCE

Whether you are starting afresh or growing an existing business, finance is a critical issue for most entrepreneurs. When considering the appropriate funding for your business it is advisable to use a professional corporate finance advisor to help you assess your requirements and introduce you to suitable funders.

## SOURCES OF FINANCE

## Banks

Banks are usually the first port of call as a source of finance. Before committing yourself to any form of debt finance you should consider the length of the repayment period, the interest rate charged and requirement to provide security.

The most common ways in which banks provide finance to businesses are:

- Loans - for purchasing long-term assets such as property, equipment, and vehicles. Typically loans are secured against an asset. The total loan amount is usually between 60 – 80 percent of the value of asset. Interest on bank loans is usually expressed as a percentage over base rate. The amount of debt that banks are prepared to offer and the interest rates they charge will partly depend on how well secured the debt is the perceived risk by the bank and the cost of lending
- Overdrafts - often used to finance fluctuations in working cash flow. Overdrafts are repayable on demand and exceeding the limits can be expensive

When approaching banks make sure you have a business plan which is easily understandable and includes budgets and cash flow forecasts. Banks will assess the viability of the business over the entire period of the loan but generally need detailed projections for the next two to three years. You would also need to declare to the bank the details of company assets and liabilities and up to date audited and management accounts. For tips on how to write an effective business plan, please refer to the appendices. Please note that bank loan terms vary between different providers so you may want to shop around in finding the right deal.

## Small Firms Loan Guarantee Scheme (SFLGS):

As a small to medium-sized enterprise, you may have viable business plans that need funding and for which a loan would be appropriate. However, you may be unable to obtain a conventional loan because you do not have assets to offer as security. The Small Firms Loan Guarantee (SFLG) provides a solution to this by providing lenders with a government guarantee against default in certain circumstances.

The SFLG is a joint venture between the Department for Business, Enterprise and Regulatory Reform (BERR) and a number of participating lenders. A list of SFLG participating lenders can be found on the BERR website. Participating lenders administer the eligibility criteria and make all commercial decisions regarding borrowing.

The main features and criteria of the scheme are:

- a guarantee to the lender covering 75% of the loan amount, for which the borrower pays a 2% premium on the outstanding balance of the loan, payable to BERR
- the ability to guarantee loans of up to £250,000 and with terms of up to ten years
- availability to qualifying UK businesses with an annual turnover of up to £5.6million
- availability to businesses in most sectors and for most business purposes, although there are some restrictions

### Soft loans

Soft loans are an attractive alternative to the traditional bank loan and are usually provided by business support organisations and other agencies working to encourage small business development.

### Private investors

Private investors also known as business angels typically invest equity into early stage businesses with high growth prospects. Tax incentives are available in the UK through the Enterprise Investment Scheme (EIS) to individuals who invest in small companies in return for share capital in those companies. Please refer to the section on EIS for further information. Whilst the investment level may vary depending on the angel's appetite and cash resources, it is common for angels to invest in the range of £25,000-£100,000 per deal. Where a large equity fundraising is required, a group of business angels may form a syndicate to enable them to input the higher levels required. **Investor syndicates** are known to invest up to £1m. However, they typically look at businesses with a track record.

Private investors in unlisted companies will need to be either certified “sophisticated investors” or “high net worth individuals” for the exemption from the financial promotion regime to apply.

**Sophisticated investors** can self-certify to state that they are sophisticated enough to understand the risks involved in that type of investment. A **high net worth individual** is someone who has an annual income of not less than £100,000 or net assets to the value of not less than £250,000, both as certified by their employer or an accountant.

This area is highly regulated by the Financial Services Authority. Please refer to the section on **Legal and regulatory issues to consider when raising finance**.

Angel investors can be a very attractive financing option to early stage businesses because they are often individuals with a strong track-record, business experience and contacts. They usually seek active involvement in the operations of the business so their experience and networks can be extremely valuable to the company and their growth strategy.

### Venture capitalists

Venture capitalists (“VCs”) typically focus on funding opportunities in excess of £500,000 and with businesses that are likely to require several rounds of funding. As equity investment is considered more risky than debt, VCs look for a sizeable stake in the business in return for their investment. They also usually put a member on the board to ensure they can monitor their investment and influence major business decisions.

Their 'exit' strategy or the way they make a return on their investment is by disposing of their shareholding with the two most common ways being through a trade sale or flotation on the stock market. They will thus look to have a pre-defined exit strategy prior to investing. Vcs invest in companies with high growth prospects and ambitious management teams with proven track records that suggest that they are capable of delivering a strategic plan. They typically look for a 30 to 40% compound return per annum with an exit route within 3-5 years.

### Private Equity

There are a large number of private equity funds that will invest in companies of different sizes, sectors and stages. Most look for an established business with high growth potential and a strong management team capable of delivering the strategic plan presented.

Investment size will vary depending on the size of the fund, with the smallest investing as little as £50,000 per transaction and the largest potentially investing over £100 million.

These funds are backed by institutional investors and high net worth individuals, who use credible and experienced fund managers to run them. These managers operate very strict investment criteria and expect companies to be well prepared.

The size of the stakes these funds will look to acquire will vary. Some will only want to invest a proportion of the total amount required to take a minority stake in the company, where others will look for a majority stake so that they have substantial control over the business. They will usually look to appoint members on the board to monitor and control the investment and will sometimes introduce a new management team if they believe it will be beneficial to their investment.

Experienced corporate finance advisors usually have connections within the private equity community and should be able to introduce you to suitable funders.

**Community development venture fund:** these funds are usually involved in deals sized between £100,000 - £2m, and aim to increase investments in disadvantaged communities. These are located in the 25% most deprived areas in England.

**Regional venture capital firms (RVCFs):** these are commercially focused regional funds that provide risk capital to small businesses located in certain regions that satisfy their investment criteria.

**Corporate venturing:** sometimes large corporates invest in a venture where they see a strategic fit. This is particularly appropriate for high-tech innovative ventures.

### Mezzanine finance

Mezzanine finance is a source of funding between debt and equity in terms of risk and reward. It is principally used in private equity funded businesses to increase the total amount of the loan without significant dilution of ownership. Mezzanine finance is sometimes structured as a secured subordinated loan with equity warrants, but it can also take the form of preference shares or convertible loan. A typical repayment of a mezzanine loan is 7-10 years.

Mezzanine finance can be used to fund buyouts, to finance acquisitions or capital expenditure, or to replace existing debt. It can also be used for a capital reorganisation to enable shareholders to realise cash from their investments.

## Grants

Apart from debt and equity, different forms of grant aid may also be available from the Government, local authorities, regional development agencies or from the European Union. All of these have their own eligibility criteria and you are advised to check them carefully before putting together your application.

### CHOOSING THE RIGHT EQUITY PARTNER

Identifying the right equity partner is critical as there are a large number of funds all with varying criteria. Your corporate finance advisor should have the necessary knowledge and experience to be able to match your requirement with a suitable equity partner, making introductions as necessary.

The table below summarises which source of equity may be your best option, depending on the stage of your business in its life cycle and the size of the investment required:

Stage	Definition	Amount	Source of finance
Seed capital	A business idea which needs finance to produce a prototype	<£50,000	<ul style="list-style-type: none"> <li>▪ Business angels</li> <li>▪ Grants</li> <li>▪ Corporate venturing</li> <li>▪ Own funds</li> <li>▪ Funds from family and friends</li> </ul>
Start-up	Prototype ready, no revenues generated yet. Finance required for market testing of the product	£500,000	<ul style="list-style-type: none"> <li>▪ Business Angels</li> <li>▪ Corporate Venturing</li> <li>▪ Venture Capital Trusts</li> </ul>
Early stage	Product development completed, initial revenues generated, finance needed for full commercialization	£50,000-£750,000	<ul style="list-style-type: none"> <li>▪ Business angels</li> <li>▪ Corporate venturing</li> <li>▪ Venture capital</li> <li>▪ Small Firms Loan Guarantee Scheme</li> </ul>
Expansions	Business is running smoothly with profits and needs finance for expansion or to enter new markets or develop new products.	£100,000+	<ul style="list-style-type: none"> <li>▪ All sources of debt funding</li> <li>▪ All sources of equity funding</li> <li>▪ Public offering</li> </ul>

#### What attracts an investor?

Investors usually have pre-defined criteria of what they are looking for in an investment. It is important to recognise this and present the business in a way that will appeal to them.

Some of the common investment criteria are:

#### The business

- a business with high growth potential and a high projected return on capital
- a business which is scalable

- a business which has well-defined exit options for the investors
- a business with realistic financial projections based on sound assumptions that are supported with relevant market research and evidence
- intellectual property which is a valuable business asset and provides an advantage over competitors
- a business operating in a sector in which the investors have relevant knowledge
- a management team with a good track record and a well thought out business plan

### The management team

A key consideration for investors is the strength and capability of the management team. Attributes they will often look for include:

- integrity, commitment and business acumen
- market knowledge of the team such as in-depth knowledge of their customers and competitors and the sector as a whole
- technical expertise
- a track record and relevant experience
- clear and defined growth plan and strategy for achieving this

### The deal

Once investors are comfortable with the management team and the business, the next step will be for them to evaluate how to structure the deal. Some of the important aspects an investor would consider include:

- the stake they would wish to obtain, based on a preliminary valuation of the business
- potential tax reliefs available
- due diligence required
- the financial investment of the management team, showing their commitment to the business

For an entrepreneur it is important to have a long-lasting healthy investor relationship which helps in securing subsequent rounds of funding. Many companies have a dedicated person or a team of people who handle relationships with investors.

### Enterprise Investment Scheme (EIS)

EIS is a government backed tax incentive scheme designed to increase investment in smaller businesses. It offers individuals tax relief through investment in 'qualifying' companies. A company seeking finance must evaluate whether it qualifies as an EIS company for the relief. The size criteria are as follows:

- Gross assets test: the gross assets of the company (or of the whole group if it is the parent of a group) cannot exceed £7 million immediately before any share issue and £8 million immediately after that issue

- **Employees:** The Company (or the whole group if it is the parent of a group) must have fewer than 50 full-time employees (or their equivalents) at the time the shares are issued

There are a number of other criteria relating to the nature of the trade carried on so companies are advised to take tax advice on their likely EIS status at an early stage.

For the avoidance of doubt EIS will not be relevant if the Indian company is trading in the UK through a subsidiary, as companies under the control of other companies are not eligible for EIS status.

The investors get the following relief under EIS:

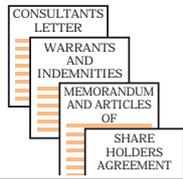
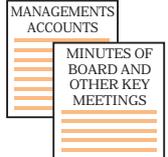
- **Income tax relief:** 20% of the amount invested with a minimum investment of £500 per company per tax year up to a maximum investment of £500,000
- **Capital gains tax deferral relief:** CGT is deferred until the EIS shares are disposed off
- **CGT exemption:** Provided income tax relief is granted, any gain from the disposal of shares in an EIS company are exempt from CGT.

These tax reliefs will only be of interest to UK taxpayers as they provide relief from UK tax only.

For more details on EIS please refer to website of HMRC [www.hmrc.gov.uk/eis](http://www.hmrc.gov.uk/eis)

### THE INVESTMENT PROCESS

The investment process from reviewing the business plan to actually investing in a proposition typically takes between three and six months. There are always exceptions to the rule and deals can be done in extremely short time frames. Much depends on the quality of information provided and made available to the private investor or private equity firm. Some of the key steps you would undertake in the investment process are outlined below:

Stage	Entrepreneur	Entrepreneur and private equity firm	Private Equity firm	Reports
Approaching the private equity firm/ evaluating the business plan ↓	<ul style="list-style-type: none"> <li>Appoint advisers</li> <li>Prepare business plan</li> <li>Contact private equity firms</li> </ul>		<ul style="list-style-type: none"> <li>Review business plan</li> </ul>	
Initial enquiries and negotiation ↓	<ul style="list-style-type: none"> <li>Provide additional information</li> </ul>	<ul style="list-style-type: none"> <li>Meet to discuss business plan</li> <li>Build relationship</li> <li>Negotiate outline terms</li> </ul>	<ul style="list-style-type: none"> <li>Contact initial enquiries</li> <li>Value the business</li> <li>Consider financing structure</li> </ul>	
Due diligence ↓		<ul style="list-style-type: none"> <li>Liaise with accountants</li> <li>Liaise with other external consultants</li> </ul>	<ul style="list-style-type: none"> <li>Initiate external due diligence</li> </ul>	
Final negotiation and completion ↓	<ul style="list-style-type: none"> <li>Disclose all relevant business information</li> </ul>	<ul style="list-style-type: none"> <li>Negotiate final terms</li> <li>Document constitutions and voting rights</li> </ul>	<ul style="list-style-type: none"> <li>Draw up completion documentation</li> </ul>	
Monitoring ↓ Exit	<ul style="list-style-type: none"> <li>Provide periodic management accounts</li> <li>Communicate regularly with investor's</li> </ul>		<ul style="list-style-type: none"> <li>Seat on Board ?</li> <li>Monitor investment</li> <li>Constructive input</li> <li>Involvement in major decisions</li> </ul>	

Source: BVCA, A guide to Private Equity

#### Step 1: Appoint advisors and prepare a business plan

It is advisable to appoint financial, tax and legal advisors early on in the investment process. The role of a financial advisor is to advise on financial structure, sources of finance and to effect introductions to the most suitable providers of funds.

A business plan is an essential document that is the pre-requisite before approaching any potential investors. The main purpose of a business plan when raising finance is to market your business proposal and show potential investors that if they invest in your business, you and your team will give them a unique opportunity to participate in making an excellent return. For tips on how to write a winning business plan please refer to the Appendices.

### Step 2: Approach potential investors

Once you have made a list of potential investors, the next step is to approach them through your corporate finance advisor. Before any meetings, the potential investors would need to review your business plan and projections model, or in some cases they may ask you to complete their own standard investment proposal.

### Step 3: Provide additional information

After initial screening of the business plan potential investors may want to arrange a meeting, the objective of which would be to expand on the content of the plan and ask a series of questions to ensure that the management team has a very good understanding of the business and the key issues. An efficient management team that can establish a good rapport and convince the potential investors that they are capable of achieving the targets and provide a good return on their investment has a better chance of proceeding to the next step.

### Step 4: Facilitate due diligence

Once investors are convinced about the merits of the proposal, they will initiate a due diligence process on the technological, financial, commercial or legal aspects of the deal. You may be requested to provide references from suppliers, customers and bankers. Investors may also want to liaise with your accountants and other consultants. Your corporate finance advisors can help you organise this process to ensure it is as efficient as possible.

Areas that may be covered in the due diligence stage include:

- key customers and customer mix
- contractual agreements
- key suppliers
- detailed review of historic and projected financials
- review of Intellectual Property and commercialisation issues and
- market overview

### Step 5: Final negotiation

The final negotiation, also known as 'deal structuring', involves negotiating the terms of the deal such as the amount, form and price of the investment. The agreement also includes the protective covenants and earn-out arrangements. Covenants can include:

- the venture capitalist's right to control the investee company and to change its management if needed
- buy back arrangements
- options for acquisition and making IPOs

This can often be agreed before the due diligence process described in step 4.

### Step 6: Post investment monitoring and Exit

Once the deal has been structured and agreement finalised, the venture capitalists generally assume the role of a partner and collaborator. They also get involved in shaping the direction of the venture. This may be done via a formal representation on the board of directors, or informal

influence in improving the quality of marketing, finance and other managerial functions. The degree of the venture capitalists involvement depends on their policy. Each investee company is also expected to provide regular reports on business and financial progress including cash flow projections, management accounts and audited financial statements.

Venture capitalists generally want to cash-out their gains in three to five years after the initial investment. The four most common venture capitalist exit routes are as follows:

- IPOs
- trade sale by another company
- repurchase of the VC's share by the investee company
- purchase of the VC's share by a third party

### COST OF RAISING FINANCE

It is difficult to estimate fees on a general level as it will depend on the size of the transaction and the scope of the work required. However, some of the more common fees are provided below:

**Legal fees:** You will need to appoint a lawyer who would help you with legal matters such as, for example, preparing and negotiating articles of association for the investee company, the shareholders' and funding agreement, employment contracts and service agreements.

**Bank fees:** Banks may charge an arrangement fee (expressed as a percentage of the total loan value) for processing and arranging.

**Monitoring fees:** Investors will often charge monitoring fees once the funds are in place. This is for their time in reviewing the ongoing performance of the business.

**Corporate finance fees:** If you use a corporate finance advisor to introduce you to potential investors or funders they may charge a success fee of 3-5% of funds raised. They may also charge project fees for assistance in preparing business plans, financial projections and other documentation.

**Registration fees:** Some VC networks charge a registration fee to enable entrepreneurs to promote their business in the network's database of investors by email or newsletter.

#### Legal and regulatory issues to consider when raising finance

If you are seeking equity funding for your company then you will need to have regard to the financial promotion regime in the UK, which restricts certain activities relating to attracting investors. This is a very heavily regulated area and we would advise you or your advisers seek legal advice before entering into any equity transaction.

In the UK a person must not communicate an invitation or inducement to engage in investment activity (for example, an offer to sell shares in a private company to another person) unless you offer the investment through a person who is authorised to do so, or, specific detailed exemptions apply and legal advice has been sought. This means that, in general, you cannot simply offer shares for sale to the general public, through a newspaper advertisement or on a website for example.

## LISTING A COMPANY ON THE UK PUBLIC MARKETS

The decision whether or not to float should not be taken without thorough planning and consultation with external advisers.

The key benefits of a flotation include:

- long term access to capital
- providing a market for the company's shares
- the ability to issue the company's shares as consideration in future acquisitions
- raising the profile of the company
- securing staff loyalty through shared ownership plans

There are disadvantages as well including:

- loss of control to external investors
- less flexibility in the way the business is run on an everyday basis
- greater demands on management time
- expense of obtaining a listing and meeting the ongoing regulatory requirements

Once your company has reached a certain stage in its development it may find that other sources of finance are required and accessing institutional investors through the capital markets may be the best option.

### London Stock Exchange

The LSE operates four primary markets the Main Market, AIM, the Professional Securities Market and the Specialist Fund Market. AIM is the junior market of the LSE and is marketed at smaller high growth companies who want to access the capital markets but with the benefits of a lighter regulatory environment. The Main Market is more suitable for established companies who are able to meet more stringent regulatory requirements and who want the benefits of an enhanced public profile and greater liquidity in their shares. You can join AIM first and then move on to the Main Market once your company has established itself and adapted to the demands of being a public company and the rigours of investor relations.

### AIM

Under Indian law, Indian companies are prohibited from listing equity shares overseas. In order to circumvent this restriction Indian companies issue global depository receipts (GDRs) or foreign currency convertible bonds (FCCBs) on stock exchanges across Europe and the US. Many Indian companies have also avoid these restrictions by carrying out a group re-organisation and then using a foreign holding company which is not subject to Indian law.

The Isle of Man is a popular choice of jurisdiction for new holding companies of Indian companies coming to AIM, the benefits of which include the ability to dematerialise, shares in CREST, a favourable tax regime, a similar legal system to that of the UK, as well as a strong reputation as a financial centre.

The key requirements for admission to AIM include:

- appointing a nominated advisor who is responsible to the LSE for ensuring that the company is appropriate for AIM and advising and guiding the company on its responsibilities under the AIM rules for companies
- appointing a broker
- sufficient working capital in the company for at least 12 months from the date of admission to AIM (which will be certified by the reporting accountants)
- producing an Admission Document which complies with the content requirements set out in the AIM rules

Unlike the Main Market, AIM does not require a minimum share capitalisation, a track record or a minimum percentage of shares to be held in public hands. Shareholder approval is not required for the majority of transactions.

#### The PLUS market

The PLUS market (formerly known as OFEX) has recently become a recognised investment exchange and may be a suitable market for small companies. PLUS operates a primary market for listing and quotation as well as a secondary market for trading securities listed or quoted on the Main Market, AIM or PLUS.

## APPENDICES

## UK TRADE &amp; INVESTMENT

UK Trade & Investment is the Government organisation that helps UK based companies succeed in international markets. UKTI also assists Indian companies to bring high quality investment to the UK's vibrant, dynamic and open economy. UKTI has offices in nine locations in India including the major metros of Delhi, Mumbai, Chennai, Bangalore, and Kolkata, and has dedicated staff across its operations with expertise in helping Indian companies to grow successfully through investments in the UK.

UKTI is keen to work closely with investors to meet their individual needs, and works with large, small and medium sized businesses. UKTI has strong partners in the Devolved Administrations and the Regional Development Agencies in the UK. Most of these agencies have their own staff in India, working in partnership with the UKTI teams. UKTI represents the whole of the UK, and can help Indian companies to understand how and where to set up a successful business in the UK. UKTI also has a special programme to support companies bringing exceptional talent and IP to the UK, where UKTI can assist networking with VCs, Angels and other key business contacts in the UK.

## ROLE OF REGIONAL DEVELOPMENT AGENCIES (RDAS)

There are nine regional development agencies in England. Their main responsibility is to economically develop the region where they are located as well as reduce social and economic disparities in the region. RDAs work with local partners and promote business and ensure the development of relevant skills in that region. Their main objectives are:

- To improve the region's economic development
- To promote business efficiency and competitiveness
- To increase employment
- To develop and enhance skills relevant to employment
- To help in attracting inward investment
- To contribute to a sustainable development of the region

## RAISING FINANCE

### A winning business plan

The business plan should include all relevant details of your proposed business including details of the product or services to be marketed, the marketing strategy, R&D, the management team, the risks, the financial structure and key targets. The investors should be able to get a clear picture of your venture along with the exit strategies when they read your plan.

Writing a business plan also:

- serves as a project planning tool demonstrating targets and milestones for the various activities that need to be completed to realise the business opportunity
- It can also be used to consider and re-organise internal financing and to agree and set targets for you and your management team

The following table gives an outline of how a business plan may be structured:

Section number	Section name	Description
Section I	Executive summary	A 1-2 page summary of the content of the business plan.
Section II	Business description	<ol style="list-style-type: none"> <li>1. General description of the business</li> <li>2. Industry background</li> <li>3. Goals and potential of the business</li> <li>4. Uniqueness of product or service</li> </ol>
Section III	Marketing	Research and analysis <ol style="list-style-type: none"> <li>1. Target market</li> <li>2. Market size and trends</li> <li>3. Competition</li> <li>4. Estimated market share</li> </ol> Marketing plan <ol style="list-style-type: none"> <li>1. Marketing strategy</li> <li>2. Pricing</li> <li>3. Advertising and promotion</li> </ol>
Section IV	Operations	Identify Location <ol style="list-style-type: none"> <li>1. Advantages</li> <li>2. Taxes</li> </ol> Proximity to supplies, logistics and communication infrastructure
Section V	Management	Management team key people Legal structure, shareholder agreements, employment contracts Board of directors, advisors
Section VI	Financials	Profit and loss projections, cash flow projections, break-even analysis, cost control, budgeting plans

Section VII	Critical Risks	Potential problems, obstacles and risks, alternative course of action
Section VIII	Exit strategy	Exit options, transfer of assets, identify successor
Section IX	Milestone schedule	Timings and objectives, deadlines and milestones
Section X	Appendix	

Some of the guidelines which you should keep in mind while writing the business plan:

- Keep the plan short and crisp
- Organise and package the plan appropriately
- Make the plan forward looking
- Avoid exaggeration
- Highlight critical risks
- Include the management team's CVs
- Identify the target market
- Pitch the opportunity to the investors

### Pitching

Pitching is about giving an overview of your business and is one of the most difficult tasks while raising finance. Some of the key guidelines one should follow while pitching:

- Make sure that the figures are right
- Know your market
- Focus on business, not product
- Keep it simple
- Communicate with passion
- Know your investors
- Talk about the team
- Be yourself
- Be realistic
- Build relationships

## SOME USEFUL WEBSITES

[www.ukibc.com](http://www.ukibc.com)

[www.entrepreneurs.uktradeinvest.gov.uk](http://www.entrepreneurs.uktradeinvest.gov.uk)

[www.indianangelnetwork.com](http://www.indianangelnetwork.com)

[www.ukinindia.fco.gov.uk/en/](http://www.ukinindia.fco.gov.uk/en/)

[www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)

[www.nabarro.com](http://www.nabarro.com)

[www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

[www.homeoffice.gov.uk](http://www.homeoffice.gov.uk)

[www.kingstonsmith.co.uk](http://www.kingstonsmith.co.uk)

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

[www.envestors.com](http://www.envestors.com)

[www.businesslink.gov.uk](http://www.businesslink.gov.uk)

[www.berr.gov.uk](http://www.berr.gov.uk)

[www.londonstockexchange.com](http://www.londonstockexchange.com)

[www.bvca.co.uk](http://www.bvca.co.uk)

[www.bbbaa.org.uk](http://www.bbbaa.org.uk)

[www.hmrc.gov.uk/eis](http://www.hmrc.gov.uk/eis)

[www.isleofmanfinance.com](http://www.isleofmanfinance.com)

[www.englishsrds.com](http://www.englishsrds.com)

## PARTNERS

**Nabarro**

**Nabarro LLP** ([www.nabarro.com](http://www.nabarro.com)) is a major UK law firm renowned for its positive, practical approach. We offer a comprehensive range of legal services (including corporate finance, mergers and acquisitions, projects and outsourcing as well as real estate, dispute resolution, tax structuring and employment) with a single aim: to provide a service that is user-friendly in every way and to deliver the highest quality advice as clearly and concisely as possible.

We work with some of the world's most innovative, successful and high profile companies as well as helping entrepreneurial start-ups turn ideas into business.

Nabarro is a growing partnership with 130+ partners leading 420+ lawyers. For international assignments we draw on longstanding relationships with a network of selected firms worldwide and we are a member of a formal European alliance with leading law firms in Germany, France, Spain and Italy. This enables Nabarro to provide a one-stop service for international transactions requiring local legal knowledge and advice.

The Nabarro India Group is an established cross-discipline team focused on strengthening our relationships in India. The team, led by corporate partner Ian Binnie, advises companies investing in India, as well as Indian-based businesses expanding internationally and accessing capital – particularly through AIM.

## Contact Details

**Ian Binnie**

Partner

Direct dial: +44 (0)20 7524 6766

Email: [i.binnie@nabarro.com](mailto:i.binnie@nabarro.com)**Simon Johnston**

Senior Partner

Tel: +44 (0) 20 7524 6000

Email: [s.johnston@nabarro.com](mailto:s.johnston@nabarro.com)

### Kingston Smith

Kingston Smith ([www.kingstonsmith.co.uk](http://www.kingstonsmith.co.uk)) is UK's fastest growing top 20 Chartered Accounting firms with considerable experience of dealing with Indian companies. Formed in 1923, we are now the largest non-national firm, located in London and the South East, having over 470 people, including 52 partners in 6 offices across London and the surrounding counties. We are also the founding member of KS International ([www.ksi.org](http://www.ksi.org)), a network of over 100 offices in 49 countries around the world.

We at Kingston Smith have acted for Indian companies who carry on business within the UK for nearly 20 years and currently act for some of the large companies in India as well as SME's and start-up businesses. We represent some of India's leading business houses and also work for most of India's top 10 IT firms in the UK. The India desk at Kingston Smith is a "One Stop Shop" for Indian businesses, offering boutique services in the following areas:

#### Inward Investments from India into the UK

- Business Structuring
- Accounting & Audit
- Tax and Legal
- Payroll Management & HR Consulting
- Company Secretarial and Compliance

#### Corporate Finance

- Mergers & Acquisitions
- Management and Accounting Due Diligence
- AIM & Plus Market listing
- Raising Finance

#### Contact Details:

**Peter Holgate, Partner**

Email: [PHolgate@kingstonsmith.co.uk](mailto:PHolgate@kingstonsmith.co.uk)

**Praveen Chadda, Partner**

Email: [PChadda@kingstonsmith.co.uk](mailto:PChadda@kingstonsmith.co.uk)

**Tim Stovold, Partner**

Email: [TStovold@kingstonsmith.co.uk](mailto:TStovold@kingstonsmith.co.uk)

**Steven Neal, Partner**

Email: [SNeal@kingstonsmith.co.uk](mailto:SNeal@kingstonsmith.co.uk)

**Chandru Iyer,**

International Business Development Manager

Email: [CIyer@kingstonsmith.co.uk](mailto:CIyer@kingstonsmith.co.uk)

Tel: +44 20 7566 4000

Fax: +44 20 7566 4010

## UKIBC

The UK India Business Council (UKIBC) [www.ukibc.com](http://www.ukibc.com) is the lead organisation supporting the British Government in the promotion of bilateral trade, business and investment between the two countries. UKIBC seeks to play an influential role in creating and sustaining an environment in which free trade and investment flourishes. A key objective in this regard is the highlighting and dismantling of bureaucratic and regulatory barriers to entry. Through the facilitation of partnerships, and with the support of an extensive network of influential corporate and individual members, UKIBC provides the resource, knowledge and infrastructure support vital for UK companies to make the most of emerging opportunities in India.

For further information on UK advisory firms recognized by UKIBC, contact UKIBC Business Services at [enquiries@ukibc.com](mailto:enquiries@ukibc.com)

## UK India Business Angel Network

Launched by Prime Minister Gordon Brown on 20th January 2008, this network connects Angel and VC networks in India and the UK to increase the number of Indian early-stage high growth IP rich companies setting up in the UK. Essentially Indian investors and companies will have the opportunity to go global through the UK and access Angel and VC funding through the UKIBAN. The network fills the need of a connector of talent, entrepreneurs, and capital between the two countries.

The network is the vehicle for more deals – ensuring and enabling consistency of value proposition through due diligence, promotion of best practice and case studies.

For further information about UKIBC, please contact:

### UK India Business Council

12th Floor Millbank Tower  
21-24 Millbank  
London  
SW1P 4QP  
Tel: +44 (0)20 7592 3040  
[www.ukibc.com](http://www.ukibc.com)

### UK India Business Council

4th Floor, Stateman House  
Barakhamba Rd  
Connaught Place  
ND 110001, India  
Tel.: + 91 (0) 1130446601  
Email: [adrian.mutton@ukibc.com](mailto:adrian.mutton@ukibc.com)

### Disclaimer

Detailed specialist advice should be obtained before taking or refraining from any action covered by the content in this guide, which is only intended as a brief introduction to the particular subject matter. Information is correct on the date of publication. The contents of this guide should not be construed as legal advice and UKIBC, Nabarro LLP and Kingston Smith disclaim any liability in relation to its use.

### Different jurisdictions within the British Isles

References throughout this guide to the UK cover England, Wales, Scotland and Northern Ireland. You should however be aware that this guide deals only with the law as applies in England and Wales and that Scotland and Northern Ireland have independent legal systems which result in some differences.



UK India Business Angel Network partners:



UK India Business Council contact details:

**UK India Business Council**

21-21 Millbank Tower

Westminster London SW1P 4QP

[ukiban@ukibc.com](mailto:ukiban@ukibc.com)

0207 592 3040

[www.ukibc.com](http://www.ukibc.com)

September 2008

Copyright © 2008 by UK India Business Council and co-authors.