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A change for good

Nick Grey, founder of Gtech discusses large scale innovation during the pandemic



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“Our profession is undergoing turmoil and change, but adversity creates opportunity.”

Welcome

As we welcomed in a new year and a new decade in January, no one could have predicted what was in store for us all.

As I sit in my home office, like so many, on a warm sunny day in summer reflecting on the year so far, I am inspired by the many business owners we support who have scrambled to keep their doors open, their people in employment and in some cases are now fighting tooth and nail to save their life's work. Their resilience, fight and sheer will is remarkable.

In this edition of ONE magazine, we shine a spotlight on the companies that have pivoted and adapted through the Covid-19 crisis and responded to change at pace. With Haines Watts marking its 90th anniversary, I also share my personal journey with the firm and celebrate what we have built and achieved over 90 years. I take pride and comfort in the fact that our financial results for the last year have seen us achieve double digit growth with continued strong performance despite Covid-19. This growth gives us a platform and resources from which we can continue to grow, train and mentor the next generation and address the challenges we share together as business owners and leaders around diversity and inclusion.

Successful businesses are built upon the talent they employ and nurture. I am immensely proud of our people and how they have responded to deliver their very best during these trying times. So many have had to balance family needs, caring responsibilities and client commitments. Not only have our people shown amazing adaptability but they have also supported one another mentally, emotionally and socially and proven that we are stronger together. On page 15 we share some stories of how our people have rallied during lockdown.

Our profession is undergoing turmoil and change; our economy will take time to rebuild; but adversity creates opportunity. We have seen British business owners achieve remarkable things during lockdown. As a firm we are committed to growth, creating employment opportunities across the UK and resolute in our support for our clients – both those who find themselves in tough circumstances and those who are able to exploit opportunities.

I hope you will take some inspiration and hope from the stories we share in this edition of ONE.

Michael Davidson
Group Managing Partner

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Trends over lockdown show that consumers want to do business with companies who are sustainable and trying to leave the world a better place than they found it. But how do we reset our economy on a sustainable footing?

Race To Zero

How do we reset our economy on a sustainable footing?

Throughout the Coronavirus crisis, we have seen startling evidence of the impact of human activity on our communities.

Our environment began to heal and we started to see clear skies from Delhi to Beijing as we gave our planet some respite. But now we've had a taste of a cleaner world, how do we plot a course that will ease our overall environmental impact, create more sustainable practices and ensure we don't revert to our old ways?

As we rebuild economically, we also need to reset so that we can sustain some of the benefits realised and tackle environmental issues going forward. But how can businesses adopt environmental principles without damaging their bottom line? And how can they become a net-zero carbon emission business by 2050? It seems like a huge undertaking, but it is an ambitious goal held by many companies in the midst of this substantial shift.

Electric fleet

As green issues continue to make headlines around the world, it's clear we need an economy that works for everyone and cheap clean power certainly brings benefits for businesses. We need to further expand our use of renewable energy sources as we move away from polluting sources such as our reliance on fossil fuels. As the cost of renewable energies continues to fall, one option is to accelerate the take-up of electric vehicles - which is something businesses can do quite easily. There are tax benefits for owners, directors and executives who want to drive a sustainable company vehicle. HM Revenue & Customs' Review of WLTP and vehicle taxes has meant that tax on electric vehicles (EVs) has disappeared. This makes EVs a viable and highly attractive company car option.

Taking out the trash?

Times are changing rapidly and in the UK we recycle more than ever before, yet data from the Environment Agency shows that we still put close to 50 million tonnes of rubbish into landfill every year. That's a big problem because we aren't opening enough landfills to accommodate all that waste. There are a growing range of initiatives to treat waste more effectively. Businesses should think about the green credentials of suppliers and products when making purchases. There are also R&D incentives to invest in greener ways of manufacturing and using the Government's green grants. In an ideal world, of course, everything we make might be designed to be de-manufactured and recovered.

From villain to hero

There is a growing perception that businesses need to shake off anything that makes them an environmental villain if they are to survive. Companies are also in agreement that they need to set objectives to fight climate change. Having a sustainable strategy that protects the environment and your workers is something every organisation should be doing because implementing a values-driven approach can prove beneficial long-term. It matters for financial success because you will ultimately be protecting your brand and mitigating risks. Being purpose-driven is always a competitive advantage in business and therefore showing that your business is doing good in the world, rather than it being just a place that provides pay can give it a competitive edge when it comes to recruiting the best talent.

Best of both worlds

As a business owner one of the best ways to make your business greener is to practice greener procurement. Source goods and services that are produced and supplied in a sustainable fashion. There is a growing market for sustainable goods too, so you could gain market share by converting sustainability-minded customers. It's important to review your procurement policies to ensure you are recycling anything that can be and not making use of excessive packaging. Cloud computing can also help employees to share and access information from anywhere, which can also help slash travel costs and carbon emissions.

[Find out more about growing business](#)



TECH THOUGHTS

The future of digital infrastructures

With the world going digital, Mark Burgess, director of HW Technology takes a look at new digital infrastructures that businesses will have to put in place given the rise in home-working and the cost of cyber-attacks on small businesses.

According to the Federation of Small Businesses (FSB), SMEs are falling victim to ever-increasing instances of cyber-crime. Last year, more than one million companies were subject to phishing attacks, malware and payment fraud. Over the two years to January 2019, there were nearly 10,000 cyber-attacks a day.

The annual cost of such attacks to the small business community is estimated to be £4.5 billion, with the average cost of an individual attack estimated at £1,300.

Even more worrying is the fact that despite the increasing number of targeted attacks, many businesses are not learning the lesson and are failing to take action to improve their cyber security.

Moving with the times

One of the most contentious issues prior to lockdown for businesses was whether to allow home-working for staff. Of course, due to the speed at which the pandemic spread, many business owners were forced to accept that they needed people to work from home to keep their businesses afloat.

While on the surface, this seems to have worked well for the majority of businesses, the World Health Organisation (WHO) reported a fivefold increase in cyber-attacks and urged vigilance during the pandemic.

In April the WHO reported that hundreds of email addresses and passwords had been leaked online along with thousands belonging to those working on the coronavirus response. While the leaked credentials did not put WHO systems at risk because the data was not recent, the attack did impact an older extranet system used by current and retired staff as well as partners.

The Covid-19 pandemic has super-charged phishing emails and fake news and it's not just the immediate financial cost of this kind of cyber-attack that businesses should be concerned about. Ransomware can put a company offline for days, so there can be ongoing consequences. The potential for reputational damage should not be under-estimated, nor should the possibility of fines for data breaches.

We recently saw an example of a business that had fallen victim of what is known as a lateral phishing attack. Unfortunately, a member of their accounts team made a payment to an unknown account after receiving an email from the finance director authorising payment. The email wasn't actually from the FD, whose account had been hacked and the email was in fact, fraudulent. The payment transfer was made to the fraudster's bank account without additional checks. This incident illustrates the necessity to establish internal processes to validate actions based on digital procedures that could be vulnerable to an external attack.

What can you do?

User awareness training is key. Educate your team on how to spot phishing emails. Check the sender's email address, headers, spelling and grammar. These are usually indicators when spotting a fraudulent email. If the email has any URLs referenced in the email body, hover your mouse over them to check they relate to the correct organisation.

Adopting multi-factor authentication (MFA) can help mitigate the risk of accounts being compromised or credentials being used for malicious purposes. It doesn't remove the general risks of phishing, but can alert the organisation if an account has been compromised.

It's so important to establish a comprehensive cyber security strategy to secure valuable business data and help prevent cyber-attacks. You also need to comply with industry and data protection regulations such as GDPR to avoid fines.

Very often businesses ignore cyber security because they don't have the right procedures in place. Make sure that you work with an IT service partner with the appropriate accreditation such as ISO 27001, who can advise you on the right cyber strategy. They can help to set up processes such as regular backups and password management systems to strengthen passwords, therefore making them less vulnerable.

Is business continuity a concern for you? For further advice, [click to view our blogs](#)

CORPORATE FINANCE

With Tanya Wilson, corporate finance partner in Cardiff

For business owners with a clear exit plan pre-lockdown, Tanya Wilson, a partner in forensic and corporate finance at Haines Watts Cardiff, looks at the shift in economic climate and buyer appetite and explores what this might mean for business owners who had clear exit plans before Covid-19.

What is the impact on overall deal strategy?

Reflection is important as we move forward in this 'new normal'. Business owners will need to look at how they have performed this time around, what changes have been implemented and what is still necessary.

A realignment of valuation expectations may also be required. For example, if you are nearing retirement age and had intended to sell imminently, in a sector that has been impacted considerably and potentially have a period of recovery ahead, it may be wise to consider whether you have the fight in you to trade through the next 18 months to demonstrate the robustness of your business. Or whether you are prepared to accept it may be better to sell now and potentially accept lower valuation or a larger amount of deferred consideration?

Are certain types of sale now more attractive e/g MBOs v trade sales?

Access to funding will be key. Trade buyers with a strong balance sheet that can be leveraged will be in a good position to take advantage of opportunistic acquisitions.

Private equity (PE) has money to invest. Protecting portfolio companies has been their immediate focus, so initial PE backed deals are likely to be for bolt-on acquisitions.

If funds have to be raised, I think 'risk' will be a key factor when assessing the amount of debt available from banks and other funding institutions. MBOs will be a way forward if vendors are prepared to accept a higher element of deferred consideration and or loan notes rather than leveraging the business with external debt.

What steps can you take to make your business attractive to buyers?

Financial forecasts, careful cashflow management and the ability to scenario plan will be more important than at any other time. Post-pandemic, businesses should be looking carefully at their profit and loss accounts. They will be examining costs that can be reduced or even cut, efficiencies that can be gained through technology or even different / quicker routes to market. The robustness of the business will be key. Thorough understanding of the first six months' of 2020 performance will be important - analysis, to what extent have core fundamentals, competitive pressure or other internal or external factors impacted the business precipitous drop in revenues and profits vs purely Covid related impacts?

Is your business ahead of the curve in your sector and how future-proof are you? Can the buyers create economies of scale by acquiring a competitor – increasing their market share or even buying a supplier and taking it in-house? All of these are important in scenario planning. Make sure you have financial information available on a real-time basis so that you equipped to make informed decisions.

What is the impact on the deal process?

Purchasers will be carrying out more in-depth due diligence – analysing historical performance and performance both during and after the pandemic. Review of furlough and redundancy programmes, contract resilience, government support (and State Aid), as well as the increased IT and security risks posed by home working are all likely to form part of the due diligence scope going forward.

Earn-outs and contingent provisions may feature more in the structures if there is a lack of confidence on maintaining historical financial performance / margins. Earn-outs can also be used as a way of bridging the gap between vendors' expectations and those of the buyer – the vendor having two bites of the cherry.

Deferred consideration has been a feature in most deal structures since 2008 and will feature strongly going forward and may be over a prolonged period. Again, this will all depend on the banks appetite to lend.

What are the key changes across sectors?

We are seeing activity in the market however, it's definitely a tale of two halves with some sectors shedding value and others thriving.

The tech sector, which has always been attractive, is unsurprisingly outperforming most other sectors. There is a lot of interest and activity but consequently valuations are looking high – so acquirers will need to balance strategic value with affordability. Food manufacturing and processing are experiencing an uplift and are likely to continue to do well for a period.

Unsurprisingly, the impact of the pandemic has left the tourism, hospitality and leisure sectors decimated – and this is having a knock-on effect on businesses throughout the supply chain. These businesses are carrying huge debt, struggling to secure customers and likely to take a very long time to recover. Similarly, both the retail and commercial property sectors are struggling and it is likely to take considerable time for these businesses to command high values and be attractive to acquirers.



in Tanya Wilson



The Government called me and told me there was an urgent need for life-saving devices.

A Change For Good

Nick Grey, founder of manufacturer, Gtech, can fill a book with stories about his life, but none of them compare to the most pivotal decision he's ever had to make during the Coronavirus pandemic.



ONE EXPERT

"I was first introduced to Nick through Haines Watts' partner John Elliott, as I was to be John's successor on the Gtech account. Right at the start of the client-succession process, we wanted to ensure Nick was comfortable with the transition as John had taken care of Nick's business matters since Gtech's inception.

John had given me a clear idea on where Gtech was as a business so I could determine what would work best for Nick. It was vital to keep the business moving forward during the handover period and so we set to work with our plans.

It was important for me to understand whether Gtech had any vulnerabilities, what Nick's ultimate goal was for the company and what outcome he was hoping for. I also assessed his short and long-term needs for the business.

Good planning in the early stages allowed for a successful and smooth transition for both Haines Watts and Gtech and we have retained our relationship with the client. We work closely with Nick to support his growth ambitions. We have also built a really good working relationship with the finance team at Gtech and have helped the business with their statutory compliance.

Nick is passionate about R&D and very hands-on as a businessman. Our R&D tax credit specialists work closely with Nick and his finance team to ensure Gtech takes full advantage of the Government's R&D Tax credits scheme. We have been able to give him practical advice on incentives to deliver robust maximised claims. The rebates enable Nick to continue investing in innovation.



Want to know more about R&D? Speak to our experts today

HOW TO EXPAND YOUR CUSTOMER BASE IN THE “NEW NORMAL”

How do you grow your business when you can't speak to people face to face? Stepping into the unknown, it is clear Government rules have impacted everything from supply and demand to distribution and product and service availability. So how do you now reach new customers?

For businesses to continue to expand their customer base in the new normal, they need to understand how their customers are feeling, what stage they are at with Covid-19 bounce-back and how they can be relevant to their customers' new needs.

Whether your business is large or you are just starting out, rebuilding your customer relationship to grow your customer base will take some time and it's essential to follow a few guidelines.

Meet Shaun Sadler, founder and managing director of UTS Engineering, a North East based manufacturer in the water and gas sector. Here Shaun discusses what it has been like to lead a business through 2020, who he turns to for support and how technology and trust is changing the way they do business.



Surviving The Storm

What was your career background before you started your business?

I left school at 18 after completing my A-levels; my first job on leaving school was with J Barbour and Sons Ltd in South Shields. I remember being really impressed at how forward-thinking the clothing manufacturer was and during the two years I worked there, I gained a good grounding in production work before leaving to go to another clothing company. I then got a sales job at an engineering firm that manufactured couplings and piping for the water industry where I worked for four years until I became disillusioned when the company was bought by a large PLC and wanted to stop manufacturing. I was and still am passionate about UK manufacturing and they just didn't have the same views that I did.

What made you start your own business?

UTS Engineering Ltd was born at a time when there was a boom in businesses offshoring. I discovered a niche in the marketplace for design and manufacturing services within the water and gas industry. Back then the industry was changing a lot and they were being fined heavily by Ofwat for burst pipes. It was clear that they needed a skilled local emergency response service which I could offer. Being young and brave I felt as if I had nothing to lose and I was passionate about UK manufacturing and the importance of supporting the UK economy.

We initially started out with just three employees and a factory in Jarrow of around 500 sq ft space. Following very structured, controlled growth, which has involved a number of acquisitions along the way, we are now at more than 300 employees across our core businesses which stretch from Aylesbury to South Tyneside.

Our first acquisition was a 64-year-old company called Pipeline Protection based in South Shields that used to do some sub-contracting coating for us. We absorbed this within UTS Engineering. We then bought another South Tyneside company called Under Pressure Pipeline Services so we could expand our services. We also acquired some diverse businesses too. We acquired and invested in WarmSeal Windows three years ago, again to ensure its manufacturing was UK-based.

What do you love most about running your own business?

I love the team of people I work with and I have been given an opportunity to train young people and help them rise through the ranks of the business. Not everyone is cut out for the likes of a job with Google or wants a desk job, therefore our Apprenticeship enables young people between 16 and 25 to learn valuable on-the-job skills and complete time at college too. I'd like nothing better than seeing them follow in my footsteps over time and start businesses themselves. We have a great skillset of people in the North East and we need to use that because once it is gone, it takes a generation to bring it back.

We can help support your business - Find out more



THE POST LOCKDOWN OFFICE

As companies transition back to the office and set out on the road to economic recovery, Donna Bulmer, managing partner of Haines Watts North East and Yorkshire discusses how we are adapting to the 'new normal'.

[in](#) Connect with Donna

“ Successful people look for insight and experience; they analyse and unpick things to work out a strategy. ”

A Virtual Lunch

...with Michael Davidson



[in](#) Find out more about Michael

We sat down over Zoom with Michael Davidson, managing partner of Haines Watts, to discuss his career progression from teaboy at the company to overseeing over 40 offices nationwide.

[in](#) Find out more about Michael

Contingency Planning For Businesses

Successful contingency planning for businesses

As the fallout of the Coronavirus pandemic is felt across the corporate world, Matthew Thorpe, managing partner of Haines Watts Hornchurch, takes a look at why contingency planning carried out at the beginning of the week often has to be revised days later.

Most business owners we work with are pragmatic, problem solving types already, it tends to be why they are business owners. Many accepted early on that it would not be possible for the Government to make accurate predictions and that the outlook would be fluid and change daily, so they made their own assessment on what was likely and how best they could deal with it.

State of play

When considering possible scenarios, the uncertainty around duration and impact of the crisis means the impact on your trading performance can change dramatically from one day to the next. Investing considerable time in preparing detailed profit and loss forecasts can be a waste of time. It is important to have a forecast but what is critical is that it is high level, flexible and easy to use, so that it can flex with frequent changes. Don't let the fine detail sucker you in!

[View our collection of COVID insights and opinions from our experts](#)

Throughout lockdown, most SMEs have focused on cutting costs and taking care of their people. As we look ahead, acknowledging that we are entering what may be a long and deep recession, what can you do to give your business the best chance of survival?

3 ways to Build Resilience in Business

1 Stabilise the finances

Lockdown saw an acute focus on cutting costs and employing short-term tactics just to survive. Scenario planning and forecasting for the months ahead requires a strategic view of the numbers. Cost optimisation needs to take into account often hard to predict changes including, pressure on price, changing consumer purchasing patterns and intensified competition. This is over and above a clear understanding of the impact on your cash flow, of the end of the Coronavirus Job Retention Scheme (CJRS) and pending repayments of any tax, rent or other deferrals you may have negotiated during Covid-19.

It's likely you will need working capital to recover and reshape. Now is the time to set a baseline for the funds you will need both to tick over and to diversify your offering and explore new opportunities that may be essential for long-term survival. If your cash reserves are depleted do the work now to explore alternative forms of funding, be these asset financing, loans or opportunities like R&D tax claims rebates.

2 Secure your workforce

Employee retention is an essential part of rebuilding your business. Review your workforce to understand who is indispensable, what skills you may need if you have to change tack and whether you have the right mix of skills at the right levels in your business. If you have large numbers of staff on the CJRS and you know you're going to have to retrench, don't just make the decision on cost. Look at who you will need to help rebuild.

Include your staff in your planning process as you build and reshape. Engaged employees will have a sense of ownership and be more likely to support you with difficult changes that may need to be made.

3 Prepare for a different future

The pandemic will undoubtedly have highlighted gaps in your current technology or operational set-up. Reassess your digital capability and investment now and look at how you can improve these and fund investment – particularly when cash is tough to come by.

Bolstering your digital investing is about securing customers and your people. You need to build today to ensure you can continue delivering to your customers who may have radically changed their buying behaviour. Invest in delivering a great digital customer experience.

While not all workers or businesses can operate in a wholly online environment, ensure that where you can do deliver a competent and confident digital environment for your people.

Access to accurate management information quickly, has never been more important. Make sure you have instant access to the data you need through Cloud solutions. Software as a Service (SaaS) is not just about software but nowadays extends to activities and processes. Look across your organisation at those operations that can be fulfilled through new platforms – this will provide focus for your innovation and investments. Develop your strategic vision and find ways of doing things better, cheaper and differently compared to your competitors.

Everything is changing so fast right now. To give your business the best chance of success, it's vital to plan, evaluate scenarios and forecasts and to keep doing so on a far more regular basis than before.

HOW I UNWIND

...with Karen McLellan



Everyone needs a decent work-life balance according to Karen McLellan, managing director of Haines Watts Hereford. Here she discusses what has relieved the executive stress for her in these uncertain times and helped her find that all-important down time.

While Covid-19 has thrown business owners a curveball in 2020, it has also enabled some of us to spend more quality time with our families. The 'workstation' has become the dining table as I have combined time with my children, leisure time and the increased workload that Covid -19 brought both from the perspective of running my business and supporting my clients.

The time I saved on commuting meant I was able to have dinner each night with the family which proved a huge positive.

Getting up and leaving my desk was a particularly pronounced problem in the office, but with two children to oversee, I've had to down tools at times. I've also made a point of fully switching off from my day-to-day responsibilities at the end of the day ensuring my home is well balanced for work and play and my laptop is put away.

With digital technology making it easier for the workforce to stay connected and with lockdown being the litmus test for future ways of working, there is now no reason our staff can't be productive elsewhere going forward.

[in](#) Connect with Karen

News from the regions

Celebrating Slough

Haines Watts has had a long and successful history in Slough. As the firm celebrates its 90th anniversary, and like all businesses, deals with the impact of Covid-19, it also celebrates the opening of its new Slough office, which it occupied in June.

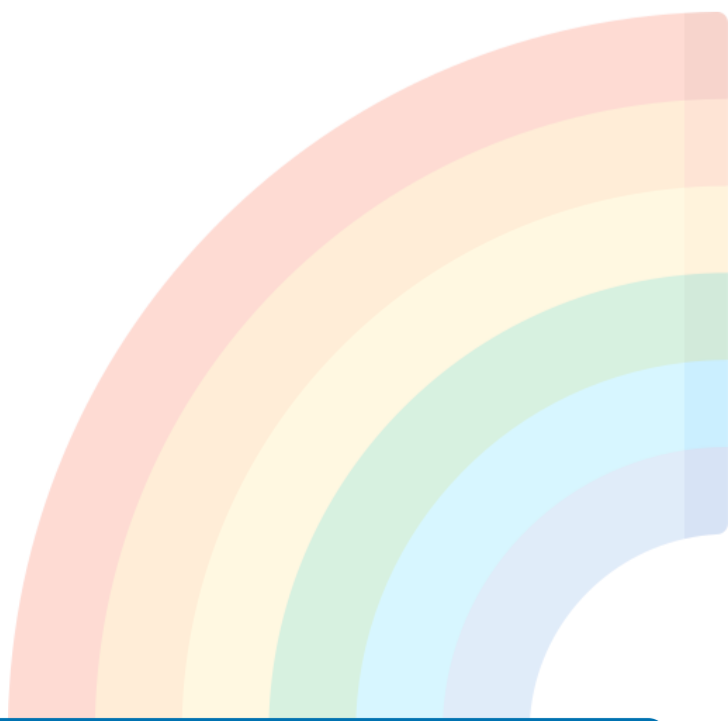
With good road links to London and the M25 area, a CrossRail station opening locally, a £3bn regeneration project for the town and access to a diverse talent pool, Slough is a strong base which to serve existing clients and grow.

The new office also reflects a move within Haines Watts to agile based working, which offers workplaces that can meet the different and changing needs of the firm's people and clients. An established precedent for remote working enabled the firm to adapt quickly to changes brought about by the pandemic, but has also meant that tactical solutions to manage a return to work and provide a safe environment for staff and clients could be implemented from day one.

The firm will continue to recruit talent locally and invest in the next generation in Slough.



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CITY SPOTLIGHT ON... MANCHESTER

With its industrial heritage, rich musical history and footballing prowess, it's no surprise that Manchester is one of the fastest growing cities in the UK. Who better to show us what it has to offer than our Manchester office MD, David Fort.

How to get around

While Manchester's Metro system is great, it is also a big city that is easy to walk around. We've been getting creative on how to connect with co-workers and stay healthy over these past few months with "walking meetings". There's nothing like bouncing ideas off one another safely in the fresh air.

Where to stay

There are a range of both budget and luxury hotels in the city. A good option for an overnight stay is Motel One on Market Street, right in the middle of both the shopping and business district.

A business lunch

Two of my regular spots, which are close to the office, include Kala Bistro on King Street and Wood on First Street. Both have a really good atmosphere, but they aren't loud like some of the other establishments which means you can have a good chat and enjoy an excellent meal too.

Networking

During the pandemic, networking opportunities were few and far between as restaurants and bars remained closed. Myself and a few of the partners were keen to show our support for businesses trying to make ends meet and opening up as take-aways. So as a treat, we ordered from My Thai in Bridge Street and Piccolino in Clarence Street.

Afterwork drinks

Over in the heart of Spinningfields, the old cotton mill area, the iconic rooftop restaurant and bar, 20 Stories, offers amazing views over the city's skyline.

*“A person who
never made
a mistake
never tried
anything new.”*

Nick Grey, founder and managing director of Gtech