



growth

Once the business is up and running and initial seed investment secured, successfully growing the business is another challenge which often requires different skills from those needed to develop the initial business.

People

On the people side, a growing business may call for changes at board level. Those responsible for starting the business may not be the best people to take it to the next stage. Additional skills, eg, sales or financial may be required and if the company is seeking an initial public offer (IPO) then a chairman or non-executive directors with City experience can be a valuable addition to the board. Growing businesses need to keep staff motivated and incentives such as share options, particularly if an IPO is on the horizon, may be attractive. More staff also leads to a greater need for appropriate systems and procedures for staff discipline, and other staff issues.

Premises

An expanding business can quickly outgrow its premises and particularly serviced accommodation can become costly for a larger business. Businesses need to be able to locate cost effective premises in a location suitable for the business and may need to consider sub-letting parts of the premises on a short term basis to allow growth for expansion.

Contracts – licensing or manufacture

Technology companies must make key strategic decisions at an early stage whether to license technology to others to manufacture or whether to manufacture themselves or via contractors. Self manufacturing can be costly, particularly if competitors have a lower cost base.

Investor relations

The growing business needs to keep its investors well informed and in tune with the business. Investors who are kept up to date are more likely to continue with follow on investment and also may have valuable experience to bring to the new challenges facing the business.

Re-registering as a public limited company

Many companies wish at some stage in their life to become a public limited company. This is a necessary precondition to achieving an IPO as only a public company can raise money by offering shares to the public, but it may also have certain value in a perceived enhanced status to customers and suppliers. Registering as a plc requires amongst other things nominal paid up share capital of not less than £50,000 and an auditor's report that the assets at the relevant time are not less than the paid up share capital of the company. Companies should however caution against seeking to re-register as a plc too early. Public companies (whether or not listed) have a greater degree of regulation in a number of respects, for example, there are more restrictive rules in relation to the maintenance of a company's capital.

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Initial public offer (IPO)

Achieving an IPO is the ultimate aim of many small companies. The various investment exchanges are a useful source of finance and having a quoted company helps with business sales and of course liquidity of shares. However achieving an IPO can be costly in terms both of fees (including brokers, lawyers, accountants, sponsor/nomads) and also management time spent preparing and verifying the necessary prospectus and making the necessary corporate changes. For example, changes to the articles are usually needed to make the shares freely transferable and tradable through CREST, the company must be registered as a plc and directors, in the case of LSE, AIM and PLUS, are required to abide by the model code on share dealings. Companies can find the demands of institutional investors and increased reporting requirements imposed post IPO quite daunting and draining on management time.

Globalisation

Key to growth may be access to international markets. The business needs to ensure it has the expertise, skills and contacts needed to establish sales in an international market.

Contact

If you would like to discuss your business venture with a member of our LaunchPAD team please contact:



Cambridge
Zickie Lim
Partner
T +44(0)1223 222482
E zickie.lim@mills-reeve.com



Birmingham
Julian Smith
Partner
T +44(0)121 456 8392
E julian.smith@mills-reeve.com



Norwich
James Hunter
Partner
T +44(0)1603 693267
E james.hunter@mills-reeve.com

Contact details for each specialist member of the LaunchPAD team can be found at the end of the respective chapters. LaunchPAD is also available online at www.mills-reeve.com/launchpad

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