



HOWES PERCIVAL BREXIT PERSPECTIVES SURVEY

December 2016



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INTRODUCTION

The UK European Union membership referendum took place on 23 June 2016 and 51.9% of voters voted to leave the EU and 48.1% voted to remain.

In September and October 2016, Howes Percival undertook an online survey of fifteen questions to gather the post-BREXIT referendum views and perspectives of Directors and senior management of UK owner managed businesses.

The views of over 260 business owners were gathered and the quantitative and qualitative findings have been reviewed and compared to other post-BREXIT referendum business perspective surveys and there have been some interesting results. The findings are presented in the following pages.

The Executive Summary is widely available online and from www.howespercival.com and the Full Report has only been published to the anonymous survey respondents who gave their confidential details.

I hope you find this survey report interesting and thought-provoking.



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HOWES PERCIVAL'S BREXIT SURVEY

Survey issued September to October 2016
262 responses

METHODOLOGY

This survey was intended to gauge the thoughts and feelings of the UK business community after the dust of 23rd June had started to settle and the immediate effects of the result had begun to be felt. It was sent to business leaders and senior decision makers representing businesses across a wide spectrum in the UK and across a broad range of different sectors. In total the survey received 262 responses.

The questions asked dealt with a number of topics and broadly covered the following areas:

Confidence

The first set of questions related to the confidence of the respondents in the economy generally and specifically in relation to their business and whether it had changed in the months since the referendum. The aim was to understand whether the fallout since the referendum had changed people's opinions on the result and what impact recent developments have had on business confidence generally.

Impact

The survey then addressed the difficult issue of looking ahead. How did our respondents feel about the outlook in the short-to-medium term? Did they think Brexit would have a substantial impact on their financial plans? What about buying real estate or merger activity in their sector? We particularly wanted to know whether the economic climate and the prevailing uncertainty was hampering the day to day activity of UK businesses.

Trade

Trade is one of the defining issues of Brexit and we wanted to find out how important trade with the EU actually is for the businesses surveyed; how exporters had been affected by the referendum result and what trading relationship UK businesses would like us to have with the EU going forward.

Actions Taken

Finally the survey asked what respondents and their businesses had done in response to the Brexit referendum and what business leaders intended to do in the coming months. We were very interested to identify whether the talk of a changing economic landscape was being matched by action on the ground, and, if so, what those actions were.

THE RESPONDENTS

Type of Business

Most respondents to our survey were from UK Limited Companies and as such were reflective of the majority of businesses in the UK¹.

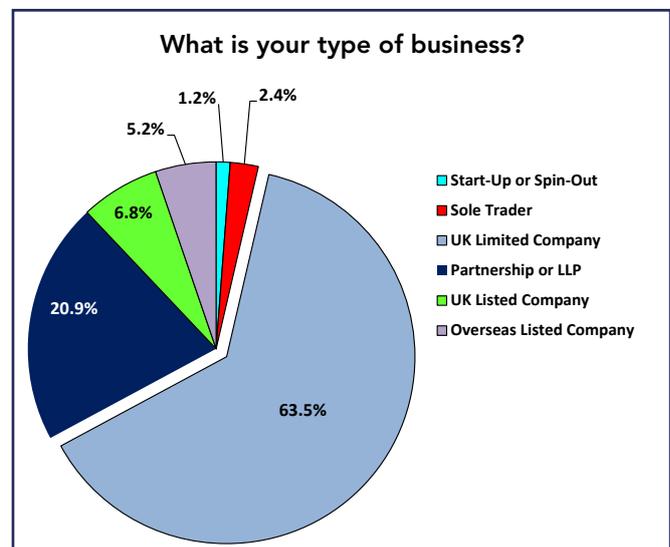


Fig. 1 - Type of Business

¹ <https://www.gov.uk/government/statistics/incorporated-companies-in-the-uk-july-to-september-2016>

METHODOLOGY

HOWES PERCIVAL'S BREXIT SURVEY

Sector

The respondents to our survey were from a wide variety of sectors and industries including:

- Professional & Support Services
- Property Development & Construction
- Manufacturing
- Technology
- Retail
- Agriculture
- Food & Drink
- Financial Services
- Leisure & Tourism
- Media & Creative

There were particularly strong response rates from those in Professional Services, Property Development & Construction and Manufacturing.

Location

251 respondents provided details of their location in answer to Question 12 of our survey. The results show very high response rates from businesses across the Midlands, the East of England and the South East, providing an excellent snapshot of the UK economy as a whole, covering urban, rural and industrial areas.



Fig. 2 - Geographical Spread of Respondents

Roles

The respondents to our survey were predominantly key decision makers in their respective businesses, ranging from owners and shareholders to CEOs, Directors and other senior executives.

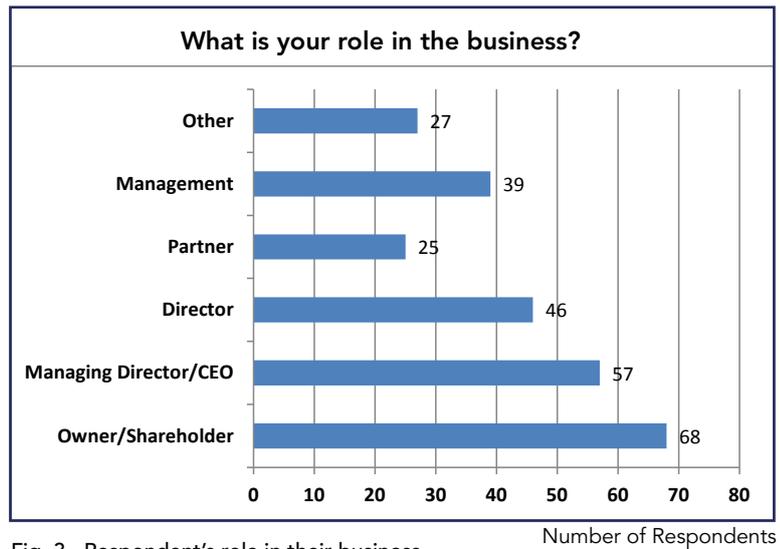


Fig. 3 - Respondent's role in their business

EXECUTIVE SUMMARY



HOWES PERCIVAL'S BREXIT SURVEY

Confidence

Questions 1 and 2 of the survey asked respondents how they felt about the decision to leave the EU, whether their thoughts on this had changed and whether they were confident about how it would affect their business.

The responses to these questions were very mixed. For Question 1, 33% of respondents said they were positive about the decision. Meanwhile slightly fewer (30%) took a more negative view. This polarisation appears to reflect the wider reality of division on the issue of Brexit generally.

What was particularly interesting was those who said their view had changed, a greater number (20%) said they were less positive about the result, than those who were less positive, which suggests a slight softening amongst some Remain voters over the past few months.

In response to Question 2 on whether respondents were confident about the effects of Brexit being positive, the majority (55%) said they were not. This included a high number of respondents working in Agriculture, Manufacturing and Financial Services, all industries likely to see significant change as we leave the EU.

Interestingly, several of those who said they were not certain about the effects of Brexit also said they were positive about the result, implying that perhaps uncertainty is not being seen as wholly negative, but instead as an opportunity for some businesses and sectors to thrive.

Business Impact

Questions 3,4,6,7 and 8 all dealt with how Brexit had impacted, or was expected to impact, different areas of the respondents' businesses. The presiding theme that came out of these questions was an attitude of "business as usual" for most, with the decision on Brexit having had little or no impact on their business so far. There were however significant exceptions to this trend.

In response to question 3 on the financial effects of Brexit, almost 40% said it would have a negative effect, including several respondents from the Property Development sector – an area that has been hit particularly hard in the aftermath of the result.

Questions 6 (on M&A activity) and 7 (on buying and selling real estate) had remarkably similar results. The general response on both questions was that there had been no real change since the referendum result. On Question 6, of those who said there had been less activity (14%), a sizeable proportion were from Professional Support and Financial Services businesses. As such they are more likely to be involved in M&A deals on a regular basis.

Similarly, on Question 7, those who said property was more difficult to sell (16%) tended to be working in the property sector. Both of these results suggest there may be underlying trends developing in these areas that have not yet affected the wider business community.

On Question 9, the majority of respondents (73%) said that Brexit had not changed their employment plans. However, those from the Manufacturing, Agriculture and Leisure sectors, which typically employ larger numbers of migrant workers, said they were likely to employ fewer people than planned. In the comments received, several respondents also said they would either have to make redundancies or change their recruitment plans.

Trade

Question 5 of the Survey asked respondents how important the EU was to their business at the moment. The responses varied considerably with some interesting trends across different sectors. The largest group of respondents (30%) said the EU was of no importance as a market for their business. These included businesses in Healthcare, Retail and Property Development & Construction.

13% of respondents said the EU was an extremely important market for them. These responses were primarily from traditional exporters including Manufacturers, Food & Drink and Agricultural businesses.

Question 10 addressed the issue of the UK's future trading relationship with the EU and asked our participants what their preferred trading model would be. Unsurprisingly given the responses on Question 5, 50% of respondents said they did not have a preference. Of those who did, there was a fairly even split between the Swiss, Norwegian, Canadian and WTO models.

Actions Taken

Having established the attitude of our respondents towards Brexit as well as its current and future impact on their businesses, we then asked them what actions (if any), they had taken in response to the Brexit referendum.

A large group of respondents said that they had taken no action so far (47%). Some of these, but by no means all, said they were looking to act in the next 6-24 months but were waiting to see how the negotiations progressed and what the economic situation might be. This is a common sentiment but by no means universal.

Other respondents had taken several steps; including talking to their accountants, reviewing their existing commercial contracts and assessing their IP portfolios. Others indicated that they would need to alter their investment plans for the coming year or consider reallocating resources to other EU states.

BREXIT TOP TEN CONTRACT CHECKLIST



BREXIT TOP TEN CONTRACT CHECKLIST FOR EMPLOYERS AND BUSINESS OWNERS

Leaving the EU, may have many unforeseen consequences for trade, M&A, employment, commercial contracts and intellectual property rights.

EU legislation can have an impact on many contracts and regulations.

What steps should you take to assess your contracts and identify areas of risk and breach?

1. Assessment & Review - take time now to assess the impact on your existing and future contracts and trading relationships.

2. Checklist Approach - build a checklist to help develop a consistency of approach and to identify relevant issues in contracts.

Areas affected include:

3. Price – what will be the increase in costs if there is no free movement of goods or people, or there is a need to reapply for licences or visas? Is currency volatility properly covered? Can the price be renegotiated if leaving the EU substantially increases the cost of performing your obligations?

4. Termination - is leaving the EU, the consequential changes in the law or the terms agreed a 'termination event' or an 'actionable breach' if you cannot now perform your obligations?

Leaving the EU, may have many unforeseen consequences

What steps should you take to assess your contracts and identify areas of risk and breach?

5. Definitions - are geographical descriptions and EU law references now correct and will they need to be changed?

6. Choice of Law - careful consideration needs to be given to contracts where the choice of law is not England and Wales and how enforcement of rights and case law precedent will be affected.

7. Transitional Provisions - should you, where desirable, try to negotiate transitional provisions into existing and upcoming contracts?

8. Competition Law - what will your market share and geographic tests look like after we leave the EU? What will the UK regulatory bodies do with existing cases? How will block exemptions and State Aid be dealt with?

9. Overseas Parties - additional consideration also needs to be given to how relationships with overseas parties and overseas companies in the same group will be affected.

10. Planning Ahead – review existing contracts now that may be affected, not forgetting those documents currently being, or still to be negotiated.

For help in understanding how your contracts are affected by leaving the EU, please contact any of our Corporate Commercial partners or Edward Lee, corporate partner at edward.lee@howespercival.com

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