INSIGHTS

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KLO FINANCIAL SERVICES

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ISSUE NO.2

WELCOME FROM

ANDREW GREEN

Welcome to the second edition of Insights - our magazine that shares the knowledge and expertise of industry leaders with colleagues and clients through a series of informative and thought-provoking articles.

What a year it has been! The past 12 months have brought major changes around the world, financially and economically. Here at KLO, we have also made some dramatic changes as a result of our significant growth recently, including opening our new Birmingham office and welcoming many new talented financial planners, advisers and more to our expanding team.

As well as our development and expansion, we've been delighted to collaborate our knowledge with that of other experienced professionals in the financial sector and beyond, some of whom are featured in this issue.

This issue of Insights is full of informative and useful articles, and we welcome your feedback on any of the topics included. If you would like to be included in the next publication, or if you would like to discuss any ideas you have for topics, we'd love to hear from you.

I'd like to take this opportunity to personally thank everyone involved in helping us make this a fantastic year for KLO, and wish you all a happy and prosperous 2018.

Best wishes,

Andrew Green
Managing Director - KLO Financial Services

DESIGNED & PRINTED BY:
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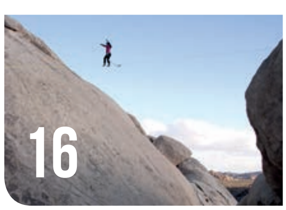

PASSIVE
INVESTMENT MANAGEMENT

AN OVERVIEW OF PASSIVE INVESTMENTS

> ***You can't control what markets do, but you can control the costs you pay.***
>
> *- Burton Malkiel*

This quote sums up quite nicely the principles that sit behind passive investments. Costs act like a tax on investments, so the lower the costs you pay, the better the returns you're likely to receive.

At Passive Investment Management, we want to get active with our passives to ensure our clients receive a competitively charged, strong-performing investment portfolio and a first class service.

Passive investments are widely regarded as a lower cost option to active investments. The rise in popularity in the UK has seen investors invest more and more money into passive funds, mirroring that already seen with investors in the US and Europe.

So what is a passive investment? Passive investment funds are also known as index-tracking funds, or trackers. Simply put, £100 invested in a FTSE 100 tracker would buy you one pound's worth of stock in each of the UK's 100 biggest firms. Exchange Traded Funds (ETFs) go further than this. They can copy the performance of various investments, such as different equity indices around the world, currencies or commodities e.g. oil or gold, without necessarily owning the underlying assets.

In the last 20 years, it has become possible for UK investors to gain exposure to markets without facing the hefty charges associated with buying actively managed funds. Tracker funds track a market index such as the FTSE 100 or S&P 500 and investors receive the return of the index being tracked, minus a fee. If the index rises, so does your investment. If it falls, your investment will drop too.

The passive investment world has evolved massively in recent years, with UK retail investors gaining access to well over 3,000 passive funds, with annual fund charges ranging from 0.05% per annum to 1.87% per annum. Currently, only five funds charge 1% or more per annum and our portfolios cost, on average, 0.25% per annum.

It is now possible to build a fully diversified portfolio with ETFs and trackers, meaning you don't need to invest in a large number of passive funds in order to achieve diversification. A global tracker fund, for example, provides exposure to thousands of shares across the world.

Another advantage of passive funds is their transparency; you always know exactly what you're investing in. With actively managed funds you have no way of knowing all the stocks the fund manager invests in, as most active funds only publish a list of their top ten holdings.

One perceived drawback of passive funds is that there is never an opportunity to get market-beating returns. A passive fund will always track an index and, whilst the fees are modest, they still exist, meaning they will always return slightly less than the tracked index. The best solution to this is to build a portfolio of funds using an asset allocation strategy. Basically, this means investing a proportion in equities, bonds, property and cash. How much you invest in each depends on the length of time you plan to be invested, your investment objectives and your attitude to investment risk.

Harold Markowitz, an American economist, studied the effects of asset risk, return, correlation and diversification on probable investment portfolio returns and demonstrated that having the correct asset allocation resulted in 90% of a portfolio's returns over a given time. 7% was attributed to stock selection, 2% to market timing and 1% to sheer luck. He was awarded the Alfred Nobel Memorial Prize in Economic Sciences for his work.

This is where Passive Investment Management can help. By getting active with our passives and adopting the right asset allocation strategy, we can build robust portfolios that can perform strongly over the medium to long term to meet your investment objectives in a cost-effective and tax-efficient way.

Source: www.trustnet.com
29th September 2017

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DAINS
ACCOUNTANTS

ANOTHER FIC IN THE WALL

Ellie Lewis, Chartered Tax Advisor and Tax Senior Manager at Dains LLP, looks at the role a Family Investment Company could play in protecting and building your family's wealth for the future.

For most of my clients, when it comes to securing their wealth for their children, grandchildren and beyond, and reducing their liability to Inheritance Tax (IHT) on their deaths, their first thought is a family trust. Trusts do still have a place in modern tax planning, and can work extremely well in the right circumstances. However, many clients are now looking for an alternative.

2006 - NOT A GOOD YEAR FOR TRUSTS

After Finance Act 2006 was enacted, it became very difficult to transfer assets into trust without incurring a charge to IHT. The Act also brought most trusts within the IHT regime that imposes charges every ten years on the whole value of the trust, and whenever assets are distributed to beneficiaries.

It's also worth noting that, whilst inflation has averaged 2.9% - 3.0% per year for the last 10 years, the value that can be put into trust without creating an immediate 20% charge to Inheritance Tax has remained virtually the same: £325,000 for an individual or £650,000 for a couple.

If my clients - let's call them Mr & Mrs Floyd - wish to transfer say £1m into trust i.e. enough to generate enough income to pay school fees for their grandchildren, and to help with future property purchases, they could be looking at an immediate Inheritance Tax bill of £70,000.

In addition, clients often feel uncomfortable relinquishing control of assets they have built up over many years of hard work to third party trustees. They can put a 'letter of wishes' in place, and can include or exclude certain individuals, but once that deed is signed, and the assets transferred, it is the trustees who make all the decisions. For my entrepreneurial clients in particular, this loss of control can be an issue.

Also, crucially, it is almost always necessary to completely exclude the settlor(s) of a trust and their spouse or civil partner from ever being able to benefit from the trust. If the settlor (or the spouse or civil partner) does retain use of, or benefit from, those assets, the tax benefits that a trust can bring will be lost. Many of my clients are wealthy enough to be considering estate planning, but not quite wealthy enough yet that they can say goodbye forever to a large chunk of assets. So what is the alternative, if a trust isn't the right choice for you?

SETTING UP A FIC

Dains have successfully set up many Family Investment Companies for our clients, with each structure being as unique as the family it is created for. In its most basic form a FIC is, quite simply, a private company owned by shareholders who are family members.

Normally, a limited company will be used. Unlimited companies can be used instead, to preserve privacy, as unlimited companies do not need to file publicly available accounts with Companies House. However, advice and care is needed as unlimited companies do not offer protection from personal liability of the shareholders for the company's losses. In addition, unlimited companies are not suitable for FICs intending to carry on certain activities, for example consulting contracts with public sector bodies.

The company can be incorporated with several different classes of shares to enable flexibility over the payment of dividends. Shares can be subscribed for by, or immediately gifted to, different family members. A trust can even be a shareholder to hold shares for younger family members, or those not born yet.

Let's go back to Mr & Mrs Floyd. They can subscribe for shares that have built into them all the voting rights in the company. They can also be the directors, so that they can retain complete control over the activities and management of the FIC and the payments of any dividends or salaries.

The Floyds can loan cash or assets into the FIC, so that if they do require access to funds, this can be achieved via tax-free loan repayments as and when the FIC has available cash, rather than taxable dividends or salaries.

THE KEY TAX BENEFITS OF USING A FIC:

1 Non-dividend income earned in the FIC is subject to Corporation Tax at 19% (reducing to 17% from 2020/21), as opposed to being taxed in the hands of Mr & Mrs Floyd, or a trust, at up to 45%.

2 UK and most non-UK dividends received by the FIC are exempt from tax. If Mr & Mrs Floyd receive those dividends they will be taxed at up to 38.1%.

3 Any capital gains in the FIC are also subject to Corporation Tax, as opposed to Capital Gains Tax at up to 28% (for residential property disposals). In addition, companies still benefit from an inflationary relief that reduces taxable capital gains, whereas individuals do not.

4 In relation to IHT, the future growth in the value of the assets transferred into the FIC will be immediately outside of Mr & Mrs Floyd's estates, saving IHT at 40% on that growth. If shares are gifted by Mr & Mrs Floyd to their children etc, then the value of those gifts will be outside their estates provided they survive seven years.

5 Dividends and salaries can be paid to the various shareholders to make use of their available personal allowances and basic rate bands.

POINTS TO CONSIDER:

- We normally advise that to be cost and tax efficient, at least £1m-£2m is transferred into the FIC initially.
- If non-cash assets, such as share portfolios, are transferred into the FIC, care is needed as this may trigger CGT. If assets have recently been inherited this can be a great time to transfer them into a FIC as they will have benefited from an uplift in base cost, minimising any CGT on transfer.
- We always advise that if shares are to be given to children, grandchildren or a trust, this is done on the creation of the FIC and before it holds any assets. This is because if shares are gifted later, they may have significant value and this could again trigger CGT.
- A FIC is most efficient when most of the income generated in it can be left within the company for reinvestment and is not immediately required by the family. Any income paid out as dividends will have already suffered Corporation Tax. If most or all of the income is paid out, this "double charge" could result in a higher effective tax rate than leaving the assets in the hands of Mr & Mrs Floyd.
- The initial value of any cash or assets lent to the FIC will always be within Mr & Mrs Floyd's IHT estates. It is the growth on those assets that can be successfully removed from their estates.
- If the shareholders die, their shares in the FIC will be subject to IHT. However, if they hold less than 50% of the FIC's shares, the value will be heavily discounted as a "minority shareholding".
- There will be initial set-up costs and advice costs, as well as ongoing running costs.

ASSET PROTECTION

This is a tricky subject, but is often a very important consideration for my clients. Many of them wish to protect their family's wealth from future divorces of their children or grandchildren.

Trusts can offer this if tightly worded and properly drafted, but a number of cases heard in recent years have weakened this security.

In relation to FICs, the Supreme Court decision in Prest v Petrodel [2013] is helpful. The judgement was that the family courts cannot "pierce the corporate veil", i.e. look through a company that a party to the divorce holds share in, to seize its assets in a settlement.

The shares themselves can be part of a divorce settlement, but the Articles of Association and Shareholders' Agreement of the FIC can be structured to restrict any transfers or ownership of shares to any non-family members and/or spouses.

TAKING FICs FURTHER

Highly topical now is the phasing out of higher rate relief on mortgage interest for private landlords. Those looking to invest in rental property may prefer to do so via a company, which they can set up as a FIC to benefit their families long-term.

There are many things to consider here, such as the attitude of lenders to lending to companies rather than individuals, Stamp Duty Land Tax, and the Annual Tax on Enveloped Dwellings. However, it can work very well and Dains can advise in more detail on this if required.

As well as those just embarking on property investment, or those wishing to acquire several new properties, I also have many clients who already hold several investment properties, and who assume that the charges to CGT and Stamp Duty Land Tax preclude them from moving those properties into a company. This is not always the case. It is worth taking specialist tax advice in these scenarios, as the long-term tax and succession benefits that can be achieved can be surprising.

FICs can also be used as money-lending companies, so that the activities of the FIC constitute a "business" for IHT purposes.
If correctly operated, and subject to future changes in case law and/or legislation, the shares in the FIC can potentially qualify for Business Property Relief, meaning they could be completely exempt from Inheritance Tax on the death of the shareholder. Expert tax and legal advice is required as this is a highly specialist area.

DAINS ACCOUNTANTS

If you would like to discuss any of the issues above in more detail, please do not hesitate to get in touch.

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GDPR
6 MONTHS TO GO

As a business owner, it would be very hard at this stage to have not heard about GDPR. Hopefully, by this point, your organisation is working hard towards ensuring that you will be GDPR compliant in time for May 2018. However, there are still a number of organisations who haven't started implementing the measures to ensure compliance and it is vital that they make this an absolute priority.

Vantage Professional Risks

A division of Vantage Insurance Services

For those not fully aware, GDPR is an update of the Data Protection Act, and whilst this is an EU regulation, the UK will still be implementing the rules despite Brexit. As of May 2018, the ICO (Information Commissioners Office) will take an increasingly dim view of organisations who do not protect consumer data and these will be the organisations who will be punished with fines should their data be compromised.

However, whilst the fines are an important point to be aware of, consumers are now becoming more aware of their rights in regards to the data organisations hold on them, so the reputational damage should you suffer from a breach can be much more financially damaging to yourselves as an organisation.

Also, when tendering for work or competing with another organisation, many clients will consider your cyber security policies and the adequacy of the protective measures you have in place. Therefore, you need to carry out a full risk assessment and audit of your current systems and procedures now in order to understand the changes you must implement over the next few months. A few risk management tips and points to consider:

- **What Data Are You Actually Holding On Your Systems?**

  How much of this data falls outside of that necessary for contractual/legal/regulatory requirements? Remember, the more data you are holding, the greater your exposure in the event of a breach and the more consumers may have to potentially be notified under GDPR rules. When was the last time you carried out a data cleanse?

- **How Is Your Data Stored?**

  Who hosts your data? It is fundamental in the run up to GDPR that all contracts with third party suppliers are reviewed and amended to ensure it is clear who is responsible for the data/who owns the data. It is also a good opportunity to review your relationship with any of your third party suppliers to ensure they themselves are GDPR compliant - the ICO will not be sympathetic to you if you are using third party suppliers who are not compliant as there is now a greater emphasis on data controllers - e.g. cloud suppliers, payroll and HR suppliers, website hosting etc.

- **Payments**

  You will need to have a strict process in place regarding how payments are made – are you taking payments over the phone or hosting payment platforms? If you are storing this payment data anywhere on your systems you will need to ensure you are PCI compliant at the correct level. An area many companies fall down on is call recording - if customers are reading card details out over the telephone then this information will then be stored on your servers.

- You will need to ensure your **privacy statement** is updated in order to be GDPR compliant. In addition to this, you will need to ensure your Business Continuity Plan/Disaster Recovery Plan is up to date with clearly defined processes in regards to the recovery of data etc. One of the changes under GDPR is that consumers have a right to request data that you hold on them at no cost and you will need to identify in your processes how you will be able to obtain this.

- Ensure that **staff are adequately trained** in how to spot potential cyber attacks including phishing and spear phishing. Ensure that staff are required to change their passwords every 60 days if this is not already the case. Ensure that all devices/laptops etc are encrypted.

At the end of the day, it is absolutely fundamental that all your procedures regarding data are fully documented in order to demonstrate compliance.

GDPR can seem like a huge mountain to climb, however, to look on the positive side, it is an excellent opportunity to really get a grip on your data and your cyber security procedures and adequacies.

Unfortunately even the best protected systems can suffer from a breach as cybercrime continues to evolve quicker than the systems put in place to protect against it - risk transfer is then the fundamental next step of the process. A cyber insurance policy kicks in 'post breach', although many policies also have useful tools which can be accessed throughout your policy period to provide you with risk advice, or helplines staffed by security professionals/lawyers who can advise if you have any concerns regarding your data. Some of the headline coverage areas offered by the majority of providers include:

- Ransomware/Cyber Extortion - covers paid ransoms (above your excess) and also provide consultancy services to assist in the management of the situation
- Breach Costs - forensic investigations, legal advice, notifying customers/regulators, credit monitoring to customers etc
- Cyber Business Interruption - loss of income, including from reputational damage if a hacker or breach targets your systems and prevents your business from earning revenue
- Hacker Damage - costs of repair, restoration or replacement if a hacker causes damage to websites, programmes or electronic data

- Crisis Containment - support to mitigate reputational damage and the use of a PR firm to provide support in communication strategy etc
- Privacy Protection - defend and settle claims made against you for failing to keep customer's personal data secure. Also pays the costs associated with regulatory investigation and settles civil penalties levied by regulators where allowed
- Multimedia liability - protection for mistaken infringement of copyright, or inadvertent libel of a third party.

In today's modern business environment, your data or ability to trade online is your biggest asset as an organisation, however, it is the asset most woefully unprotected by insurance by most businesses as it can sometimes seem hard to quantify. We rush to insure our office space and contents, but we don't always apply the same amount of urgency to protecting our data.

For a small business, a loss of £20,000 as a result of a data breach can be absolutely crippling, but cyber insurance policies cover the costs of these breaches to enable you to continue trading without worry.

At Vantage Professional Risks, we specialise in the placement of bespoke cyber policies for professional firms - no two firms are the same and neither are their risks so by carrying out a tailored risk review, we gain a full understanding of your business and its needs. With access to Lloyds of London, we can ensure that you have the full coverage you will require and provide a range of comparable quotations and limits for you.

If you would like a confidential review or even just a telephone conversation to discuss your cyber risks, please do contact us on: **020 7655 8020** or email **pi@vantageprofessionalrisks.co.uk**

PASSION AND REASON: THE EXCITEMENT OF INVESTING IN FILM

Which is stronger in you? Your head or your heart? Passion or reason? When it comes to investment, which emotion is stronger? Are you entirely rational in making your investment choices, or do you make decisions based on your gut feeling or because you are just interested in what the investment is in? Fortunately, investing in film allows you to engage and satisfy both!

THE PASSION OF FILM

Film is like nothing else. It is the most emotive media. More than any other, it encourages you to laugh or cry, to be terrified or amused. Films entertain audiences across the globe.

When people see a good film, it is immediately a talking point. They want to discuss it because it always arouses emotions. When there are a series of films - a franchise - such as Bond, Harry Potter or the latest film in the Star Wars Universe, the anticipation about the next film in the series is almost palpable. It is often a major talking point before it has even arrived!

Films also exude glamour. The people that can play so powerfully with your emotions become stars, and are instantly recognisable across the globe. Quite simply, film is an industry that is exciting.

Investing in film also offers something that you get with no other investment. You can get involved with your investment in quite a unique way, for example, you have the opportunity to meet the stars, to watch them on set, or to possibly have a small part in the film as an 'extra'. As well as this, of course, you get to go to the premiere of the film. You can get engaged and really involved with the film. Investing in film becomes an experience that releases passion and delivers an unforgettable experience.

More than that, you can choose the genre of film that you get involved with. So, if your film passion is horror, 'rom-com' or adventure, you can get involved in it. Then, at the end of the day, you have strikingly visible evidence of your investment that is permanent, unforgettable, and most of all - priceless.

THE REASON FOR FILM

The rationale for investing in film goes way beyond emotion, and can also satisfy those who make their investment decisions based on sound judgement. This is because it can and should be a genuine investment with significant growth potential.

The demand for film is growing across the globe, and not just at the box office. The explosion of different media and channels that offer film to viewers has created an unprecedented demand for film content. As well as multi channels on TV, there is video on demand, on-flight films, Netflix, Amazon Prime and much more. Apple, YouTube and Facebook are also moving into subscription video on demand space and will need content.
This presents a world of opportunities.

It also means that a film doesn't have to be a major box office hit to make a lot of money. In fact there are many profitable films that never get shown in a cinema!

More and more people are recognising this, which is why film and media was the second most popular investment sector in Enterprise Investment Scheme (EIS) investment in the last tax year.

Another reason for this popularity is that film investment offers you an uncorrelated asset class to other investments. One of the problems investors have today is that global communications are such that economic markets move together much more than used to be the case. When the economy of China catches a cold, it impacts on the rest of the world. What many investors seek today is diversification of their portfolio, so that their investment risk is balanced.

This is what investing in film can offer. Of course, not every film investment is good, however this also true of other types of investments. The key here is choosing the right film investment company - one that has the right expertise through the whole process of film selection and production, and the right contacts to make it happen. Your own due diligence here is important.

Finally, film is a major industry in the UK. It employs tens of thousands of people, it is successful, wins many awards and is a valuable source of inward investment into the UK. The British film industry also produces products (films) that we export, and profit from. Film supports our creativity, and is simply an integral part in our lives.

PASSION OR REASON?

After having read this article, which emotion is stronger in you? Passion or reason? When it comes to investing in film, it really doesn't matter. Whichever reason you use for investing in film, you can certainly look forward to something that is fun, and you will remember for the rest of your life.

If you choose wisely, film can provide the financial returns to enable you to enjoy the rest of your life... in style.

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BL bell lax
SOLICITORS

FACING INVESTMENT UNCERTAINTY?

AVOID UNWANTED RISK

Ten years on from the worst financial crisis in living memory, the country now faces the uncertainty of Brexit. Ensuring your investments are spread across the correct asset class with the appropriate risk rating has never been more important.

The 2007 financial crisis provided a perfect catalyst for numerous claims against Banks and IFA's, highlighting the importance of assessing appropriate investment risk and likely market movement. One such case was Rubenstein v HSBC Bank plc.

Following the sale of his property, and whilst looking for another property, Mr Rubenstein approached HSBC to assist him in investing the £1.25m sale proceeds from his property. HSBC recommended he put the money into an AIG Premier Access Bond and suggested the Enhanced Variable Rate Fund available within the bond as the most suitable investment.

Mr Rubenstein queried the risk of the AIG fund and was assured it carried the same risk as a cash deposit in one of HSBC's accounts.

The Enhanced Variable Rate Fund was not a cash fund, but a unitised money market fund which carried a risk to capital. Following the difficulties faced by AIG in 2008, the fund was closed in September 2008 and Mr Rubenstein lost in excess of £100,000 when he tried to exit the fund.

The Judge in the High Court found that Mr Rubenstein suffered his loss not as a result of the incorrect advice, but rather the unforeseen financial crisis. The Court of Appeal disagreed and found the adviser from HSBC was negligent in suggesting an unsuitable investment which exposed him to market forces and therefore, unwanted risk. Such risk was both foreseeable and foreseen. Mr Rubenstein had wanted an investment which was without any risk and the Enhanced Variable Rate Fund was therefore not a suitable product. The Court of Appeal awarded damages to Mr Rubenstein in the sum of £112,543 plus legal costs.

The decision demonstrates the importance of understanding exposure to market forces, risk carried by different assets classes and the need to give both appropriate and suitable advice.

EPIC INVESTMENTS

FIXED BONDS VS BUY TO LET

There has been an incredible amount of change within the Buy to Let sector recently, with new tax changes coming into effect, minimum energy performance ratings regulations, more stringent mortgage regulations and the banning of letting agents' fees that has led to a number of landlords exiting the market.

Buy to Let still has a place at the investors' table, but it is more important than ever that investors get advice about their property requirements to ensure they are maximising their returns.

Having a varied portfolio is the best advice we give to our clients, to ensure that you have all areas covered. Whist some investments may be performing below average, you may have others that perform to a very high level increasing the average rate of return. Some of our investors are looking at alternative options that provide them with the returns that Buy to Let property can achieve, but without the hassle of ownership.

Fixed Bonds can be a great way to invest for income, giving flexibility, a fixed rate of return and completely hands-off investments. Not only do they offer investors a reduced level of risk, they also have a lower entry level of investment and they are also very secure in terms of being first charge against UK assets.

Taking Buy to Let as an example, many people invest an amount of cash and then take on a mortgage to purchase a property. Some say this is a form of leverage, using the bank's money to make you money. This is true for some, but for more risk-averse investors, going into debt for an investment is a bad move.

Bonds provide investors with peace of mind, having professional fund managers looking after their investments, in a similar way to pension funds. Their money starts to work for them, and with the compound effect of re-investment, clients can see a huge shift in the wealth over the medium term.

Contact us to arrange a meeting
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WHAT IS A BOND?

Companies and Governments, just like people, need money to get by. This means that in order for governments to maintain infrastructure and programs and for companies to expand into new markets, they will need funds to do so.

In this case, the funds a company or government needs are much too large for the average high street bank. A solution to this is to raise money through bonds. Bonds are where a number of lenders (investors) lend a portion of the capital needed to the company or government in question through an issuer, who sell the bond. Put simply, a bond certificate is an IOU given from a borrower to an investor.

Of course, nobody will lend their hard-earned money for nothing. The issuer of a bond must pay the investor something extra for the privilege of using his or her money. This “extra” comes in the form of coupon payments, which are made at a predetermined rate and frequency. The date on which the issuer has to repay the amount borrowed is called the maturity date. Bonds are known as fixed income securities because you know the exact amount of cash you’ll get back if you hold the security until maturity.

THE BENEFITS OF COLLABORATIVE MARKETING

THE METHOD BEHIND THE MAGIC

At EDGE Creative, we have been busy working to bring our clients together, build connections and grow a network of professionals and businesses.

There's a vast spectrum of benefits from bringing businesses together, and one of the most obvious of these is through expanding the reach of their business. Take a read of an interview with Mark, EDGE Creative's Managing Director. Mark talks about how EDGE introduced collaborative marketing to their clients and how your business could benefit.

WHAT IS COLLABORATIVE MARKETING?

Collaborative marketing is the process of bringing like-minded businesses together and aligning their interests to share resources to increase brand exposure, increase leads and influence.

Collaborative marketing starts with a common purpose, for example, if businesses have a common goal or mission, or if businesses have a common audience. Another purpose of collaborative marketing is to bring businesses together in numerous ways to create an influence and greater presence, for example the Insights Magazine.

WHAT DOES COLLABORATIVE MARKETING MEAN FOR EDGE CREATIVE?

For EDGE Creative, this means aligning the objectives of our clients to build a network of businesses to expand their reach.

WHAT IS THE IMPORTANCE OF COLLABORATIVE MARKETING FOR A BUSINESS, WHETHER THEY ARE A GROWING BUSINESS OR WELL-ESTABLISHED?

There are multiple benefits of collaborative marketing for a business. One main benefit is that it can drive awareness and sales. As a large percentage of consumers trust personal recommendations from their peers, word-of-mouth (WOM) is still one of the most effective ways of gaining brand exposure and building credibility.

EDGE

Collaborative marketing can widen a business' reach, add authenticity to a brand, and create a pool of recommended and trusted businesses. For a new business, building up trust and long-term advocacy is essential for growth and survival. For established businesses, collaborative marketing is about expanding and developing connections.

HOW DID EDGE CREATIVE IDENTIFY THAT THERE WAS A NEED TO INTRODUCE COLLABORATIVE MARKETING INTO THE MIX?

From the growth of our networking events, where our clients are invited to become a sponsor and be introduced to an established network of businesses from a multitude of industries, we found that our clients were feeding back to us that they wished to collaborate with others. This is where we identified that collaborative marketing was an approach both EDGE Creative and our clients would find beneficial.

WHAT IS EDGE CREATIVE'S APPROACH TO COLLABORATIVE MARKETING? (FROM START TO FINISH)

Our approach is not only about creating a network of recommended businesses, it is also about generating compelling and thought-provoking content that people want to see and engage with.

The first stage of our approach is to identify a focal point, for example, with our last Insights Magazine, the focal point was to bring together a variety of different perspectives from within the financial services industry.

We pitched the idea to our clients and, with our clients' enthusiasm, got the ball rolling to create the first edition of Insights Magazine, which was a great success.

CAN YOU GIVE SOME EXAMPLES OF SUCCESS EDGE CREATIVE HAS HAD?

At KLO, a number of our staff have worked with Mark and his team at EDGE Creative on joint marketing ventures, including network events, round table meetings and, most recently, a magazine publication. As we complete the second edition, our feedback continues to be extremely positive, resulting in both the strengthening and increased recognition of our brand, along with direct introductions resulting in an increase in company income. I would not hesitate to engage Mark and the team on future marketing ventures and would recommend embarking on a series of collaborative marketing to strengthen any business.

- Andrew Green - KLO Financial Services

Easily one of the best agencies I've worked with. No job is too much trouble and the work produced is excellent. Highly recommended!

- Jack Penfold - Vantage Insurance

I have been working with Mark, Pete and the rest of the EDGE team for almost 5 years now. Our collaborations with EDGE gives us exposure to high level influencers and decision makers in the Birmingham business arena. I can ensure that my time spent networking, away from the operational element of my business, is always productive and time well spent.

- Tony Elvin - Hotel Du Vin

WHAT DO YOU SEE FOR THE FUTURE OF COLLABORATIVE MARKETING?

From the success we have had so far, I believe that there is a big future in our clients collaborating.

I worked closely with the EDGE team to create an article for the first edition of KLO's Insights Magazine and found the whole experience to be very positive. We collaborated really well and I have had very positive feedback. EDGE Creative also helped me promote the article online through our website and social media channels very effectively. I would recommend EDGE Creative highly and I look forward to working with them again very soon on future publications.

- Rachael Hurdman - Arch Inspire

HOW CAN YOUR BUSINESS GET INVOLVED IN EDGE'S COLLABORATIVE MARKETING?

If you'd like to find out more about our collaborative marketing and how it can benefit your business, please don't hesitate to get in touch with one of the EDGE team on

0121 355 8092 or email info@edge-creative.com

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GLOBAL ECONOMY: THE OUTLOOK

The outlook for the global economy has improved in recent quarters, as growth has broadly picked up globally in a synchronised fashion though remaining quite subdued in the UK. The expansion is now the third longest on record, nearly double the average length since 1945.

Quarterly Euro-area GDP growth has strengthened over the past twelve months, and at 0.6% in 2017 Q3 has provided a robust print.

In the United States, quarterly GDP growth in 2017 Q3 showed a solid 0.7%. In China, activity indicators had softened recently but remained at or above their 2016 averages. GDP in China has grown by 6.8% on a year ago. Japanese GDP had also shown increased strength, being around 1.7% higher in 2017 Q3 compared to last year.

Having slowed significantly in preceding years, growth in most Emerging Market Economies (such as Brazil and Russia) has continued to recover over the past year supported by an easing in financial conditions and,for commodity exporters, the rise in commodity prices since early 2016 as well as the recent rise in the price of oil.

In the UK, the circumstances since the referendum on EU membership, and the accompanying depreciation of sterling, have been quite unique. GDP rose by a modest 0.4% in the third quarter of 2017 and the unemployment rate has continued to decline, to 4.3%, its lowest in over 40 years, thus adding further evidence to the so-called “productivity puzzle”, i.e. smaller output per head than expected based on increased employment levels.

The sterling exchange rate has been volatile. Twelve-month CPI inflation rose to 3% in October, probably reaching its peak, due to a prolonged period of sterling weakness and has consistently overshot the 2% inflation rate target set by the Bank of England.

The improving global outlook, alongside greater investor risk appetite and stable robust corporate earnings, has supported rises in equity and corporate bond prices over the past year.

The best performers in the Equity space have been Chinese stocks, European and UK Smaller Companies and shares of companies listed on the Alternative Investment Market segment of the FTSE (FTSE AIM All-Share):

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EQUITY SPACE 1 YEAR PERFORMANCE LINE CHART

FE ANALYTICS
BE BETTER INFORMED

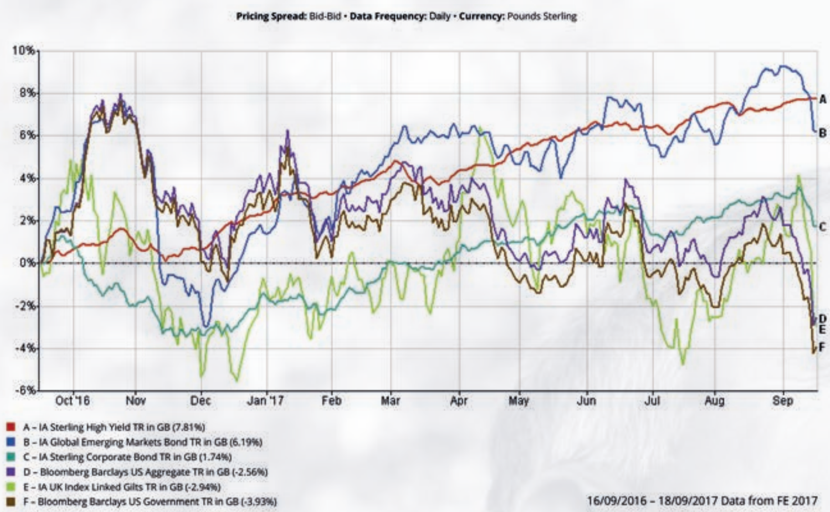
Going forward, there remain significant challenges for the Chinese authorities in maintaining current rates of GDP growth while managing and reducing risks to financial stability due to domestic demand being heavily supported by rapid credit growth. Therefore, the medium-term outlook for Chinese stocks is relatively cautious with this even putting aside the geopolitical risks due to North Korea's intercontinental ballistic missile program and the protectionist rumbles emanating from the US President Trump administration.

The pickup in growth in the Euro area and in the EU in general has been broad-based across countries and accounted for by stronger private domestic demand, particularly business investment. Alongside accommodative monetary policy by the European Central Bank, a stronger Euro and easing credit conditions, GDP growth appears to be sustainable at least over the medium term, thus continuing to underpin European stocks valuations.

UK smaller companies and companies listed on the FTSE AIM, being mostly modest in scale, appear to have been able to find projects with attractive returns, thus generating ongoing cashflow growth even in times of uncertainty due to the Brexit negotiation and modest economic growth as well as been able to take advantage of export opportunities presented by sterling depreciation. The medium-term outlook remains positive, though profit margins might be squeezed due to persistent sterling weakness passing through higher import costs and subdued domestic consumer demand because of inflation outstripping wage growth. Furthermore, the possibility of disruption of both supply chains and access to the European Single Market, the largest British export market, are risks not to be entirely discounted.

In the Fixed Interest space, the best performing assets over the year have been Sterling High Yield Bonds, Sterling Corporate Bonds and Global Emerging Markets Bonds.

FIXED INTEREST SPACE
1 YEAR PERFORMANCE LINE CHART



Bonds have persistently delivered an equity-like return with significantly less risk, thanks to a combination of undershooting inflation expectations, Quantitative Easing policies carried out by the major Central Banks and benign, steady if unspectacular economic growth.

When looking at today's pricing of bonds, it is apparent that most offer a negative real yield. Without further capital gains from falling yields or credit spreads, both of which are unlikely, bond returns look set to be negative in real terms, and certainly a long way short of what investors have experienced over the past decade, which has been described by many financial professionals as a decade-long "bull market" in bonds. However, except for the UK, there is not currently a serious inflationary threat in either the US or the Eurozone that would motivate Central Banks to tighten monetary policy aggressively.

The European Central Bank has made no changes to policy rates and following its latest meeting, it is not expected to raise interest rates until 2019. Also, where central bank policy interest rates have been raised as in the US, the surge in Treasuries yields have been relatively contained and gradual so far. On the other hand, the Bank of England decision to raise the policy interest rate to 0.5%, first rate rise in more than 10 years, represents a likely headwind for the UK Gilts market, which has already underperformed with the IA UK Gilts and IA UK Index Linked Gilts returning -0.28% and -0.75% respectively year-to-date. The market expectations are for the policy interest rate to rise gradually toward 1% over the next 2-3 years' time horizon.

However, it is important to remember that different bonds have different risks characteristics, with High Yield bonds for instance, and to a certain degree also Global Emerging Markets bonds, mostly exposed to credit quality risk more than inflationary or interest rate risk, thus an environment of stable growth might still be conducive to a reasonable good performance of these asset classes. In addition, short duration bonds should be able to provide protection against interest rate rises as the bonds will mature in the near future and the capital can be reinvested into bonds issued at the higher interest rate. As always, the key to manage risk and preserve capital is diversification.

The main risk to both Equity and Fixed Income assets valuations is represented by the tapering of the accommodative monetary policies carried out by the major Central Banks (also known as Quantitative Easing), and the switch to a policy of balance sheet normalization labelled "Quantitative Tightening". The US Federal Reserve Bank is planning to start retiring from the assets side of its balance sheet $300 billion in the Financial Year 2018 and $600 billion in the Financial Year 2019 by just allowing the bonds it owns to mature without reinvesting the proceeds.

The European Central Bank has announced that it will start halving its bonds purchase program by January 2018. Quantitative Tightening is uncharted territory in terms of monetary policy and some negative repercussion on both Equity and Fixed Income assets valuations due to reduced global liquidity is not to be excluded.

On the plus side, corporate earnings have been solid over the last two quarters especially in the US and the Eurozone, thus providing support to Equity valuations. In this context, the expectation is that the slow-yet-steady economic and earnings recovery in a relatively benign inflation environment, what has been dubbed the "Goldilocks" economy, will continue through the rest of this year into 2018 and beyond, to the benefit of the equity investor.

INVESTMENT ASSOCIATION PROPERTY INDEX 1 YEAR PERFORMANCE LINE CHART

Furthermore, if bonds remain expensive and continue to offer negative real returns, investors who seek positive real returns will increasingly have to look towards equities to provide that growth, thus sustaining the equity space valuations and restoring the historic negative correlation between bonds and equities which is the main building block of investment portfolio diversification.

In the Property Sector, the Investment Association Property Index shows how the Property Sector has yielded a respectable above inflation return of 5.45% over the year as shown above.

Much of the weakness in housing market activity over the past 18 months reflects a fall in the number of buy-to-let property transactions following policy changes such as the introduction of the stamp duty charge for additional properties in April 2016. Some value reductions were also caused by open-ended property funds trying to quickly liquidate assets to satisfy redemptions, a problem that was acute in September 2016 when several property funds were forced to suspend redemptions because of shares sell-off on the part of investors fearful that Brexit would negatively impact values in the commercial property market.

This trend has stopped in the first half of 2017. Overseas investors seem to be coming back to the UK property market, thanks to sterling depreciation. Logistics and industrial property have performed well on the back of increased demand feeding into the e-commerce sector and the recent popularity of alternative sectors such as student property have contributed to sustain returns in the sector, though the outlook on retail and office sectors of the UK property markets remains relatively cautious.

Continued weak income growth in the near term is likely to mean that price inflation and activity in the housing market remain subdued over coming quarters. In addition, the Bank of England's decision to increase the policy interest rate is bound to push up mortgage rates in the near term, albeit modestly.

Annualised house price inflation is projected to pick up only gradually, and mortgage approvals are projected to remain broadly flat in line with the net balance of responses to the RICS survey, which points to smaller rises in house prices and sales over the next twelve months. Over the short term, not much capital growth is to be expected, however over the long term a combination of capital appreciation and income from property should provide a consistent total return.

CHANGE IS COMING

ARE YOU READY FOR IT?

Unless you've spent the last 10 years filming endangered species in the Amazon, you've probably heard a thing or two about blockchain and cryptocurrency. But what exactly are they and why should you take them seriously?

Cryptocurrency is a form of digital or virtual money that is designed to be secure and, in many cases, anonymous, and Blockchain is the engine that it's built on. A blockchain is a decentralised and distributed ledger of records arranged in data sets called 'blocks.'

These blocks use cryptographic validation to link themselves together. Put simply, each block references and identifies the previous block by a hashing function, forming an unbroken chain, hence the name.

WHY INVESTING IN CRYPTOCURRENCY MATTERS

You may have seen stories about certain cryptocurrencies skyrocketing in value in this year alone. One cryptocurrency in particular that has earned a reputation as the go-to digital asset is the Bitcoin. Who would have thought from its first use to buy two pizzas from Papa John's for 10,000 BTC, Bitcoin would hit a record high of $7300?

To the typical investor, this may seem like the wild west and be entirely intimidating, which can lead to negativity about the market. The volatility and difficulty in entering makes it seems like a speculative investment opportunity.

Here are three great reasons why you should investigate cryptocurrency and blockchain:

1 SECURITY

Cryptocurrencies use two mechanisms to secure data and prevent duplication. The first is to publish every transaction in a public register and to store multiple copies of this register online in a way that allows them all to be automatically compared and updated. The second method is to protect the register cryptographically. Every update references and identifies the previous update by a hashing function, forming a chain is virtually impenetrable.

2 THE NEW GOLD

Cryptocurrency trumps FIAT currencies for one key reason - quantitative easing. Most cryptocurrencies operate under controlled supply. So, despite being labelled 'cryptocurrency' it has the likeness to gold and silver commodities in that the supply is limited.

3 BACKED BY MAJOR INVESTORS AND THE BANKING AND FINANCIAL INDUSTRY

Since its creation, cryptocurrency's biggest advocate has been computer geeks. But recently, they've been joined by a growing number of mainstream investors and entrepreneurs who see digital currencies - as a legitimate asset class such as stocks, bonds, or commodities.

In 2017 alone, famous names like Andreessen Horowitz and Sequoia Capital have bet on hedge funds that are investing hundreds of millions of dollars into digital currency funds. Meanwhile, banking giants such as UBS, Barclays, HSBC and Credit Suisse to name a few are embracing cryptocurrency and blockchain to speed up settlements.

Lakeba

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LAKEBA - A PIONEER IN BLOCKCHAIN AND CRYPTOCURRENCY

At Lakeba we believe innovation can truly change the world. In fact we already have a number of innovations that are doing just that. While there are many businesses which are considering embracing blockchain technology, some of them, like us, are already launching real projects. We are aware of the blockchain's potential to digitally disrupt many existing business models.

This is the reason our experienced global team has already developed solutions which incorporate blockchain technology to deliver scalable, transformative outcomes. We will be one of the first to incorporate solutions with the introduction of blockchain in businesses, including legal and business development. Because of its potential impact, we consider it as part of our duty to put our clients and investors in the position to really understand the purpose of Lakeba and our innovative B2B utility token.

We don't know what is going to happen in the future and we cannot make predictions based on the knowledge or experience we have today. However, we think we can highlight the most likely paths of transformation the blockchain could take us down and how to take advantage of them from our business perspective. Blockchain doesn't mean only economic revolution, but also innovation, which is able to change the way we interact, the way we work, the way we think.

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"Thriving at Work", a recent report commissioned by Prime Minister Theresa May, indicated that poor mental health is costing UK employers between £33bn and £42bn a year. [1]

HOW TO GET THE BEST OUT OF YOUR EMPLOYEES

The report also highlighted statistics from the Department of Work and Pensions, revealing that 300,000 people with a long-term mental health problem lose their job each year and the impact that this can have on businesses and their productivity. [2] The analysis in the report also shows that around 15% of people at work have symptoms of an existing mental health condition. [3]

Employers typically do not understand mental ill-health and when staff have time off they are expected to return and hit the ground running. Research suggests that this can be too much for many people and significantly increases the chance of further absence from work. When discussing the role that employers have for employees suffering with mental health problems, the phrase "duty of care" is often used. What does this duty consist of?

Duty of care means all employers should take steps to ensure their employees' health, safety and wellbeing in the workplace, both physical and psychological. An employer can be deemed to have breached their duty of care by failing to do everything that was reasonable in the circumstances to keep the employee safe from harm, including problems caused through stress and anxiety in the workplace, that can lead to more serious mental health problems.

HOW CAN EMPLOYERS BE SUPPORTED TOWARDS THEIR DUTY OF CARE TO STAFF?

One tool that can support employers in their duty of care is an Employee Assistance Programme (EAP). This can support staff on issues whether they are personal issues or work-related, and include services such as:

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- **An employee telephone helpline with 24-hour support**
- **24/7 online support to access expert material**
- **Counselling services**
- **Legal advice**
- **One-to-one counselling services (either remote or face-to-face).**

EAPs can also support an employer by providing advice to line managers to help an employer identify and tackle workplace problems. EAPs can also assist employees with their personal problems, meaning employers can in turn cultivate a workplace environment with fewer distractions, leading to increased productivity.

Other services such as giving staff access to fairer finance options can reduce the stress and anxiety caused by financial worries which can directly impact on workplace performance. Recent research has shown that two thirds (64%) of UK employees have been affected by money worries, with workers reporting that it is most likely to affect them by leaving them feeling stressed (38%) or anxious (35%).[4] [5]

With years of zero or minimal pay rises, employees are under increasing financial pressure.

A fairer finance solution that can give staff access to affordable loan rates and allows them to consolidate other high interest loans charged by payday lenders and credit card companies can reduce employees' finance outgoings and leave them with more disposable income.

Programmes such as EAPs and fairer finance access are often low cost to both set up and run and can sometimes be provided at no cost to the employer. Most importantly, these programmes can provide the immediate support that employees need. Other tools available to employers to help with stress and mental health include employee benefits such as private medical insurance, which can offer out-patient psychiatry support.

All of these support measures can be put in place quickly by employers and can help employers better support the mental health of their workforce, enabling staff to stay in or get back to work.

1 Thriving at Work: a review of mental health and employers, Department for Work and Pensions (2017)
2 Adult Psychiatric Morbidity Survey, NHS Digital (2014;2016)
3 Mental Health and Wellbeing in Employment, Deloitte (2017)
4 Neyber UK Workforce Study, Opinium Research (2016)
5 Working Well, Neyber and the Social Market Foundation (2016)

VIDEO AND BUSINESS... THE NEW DIMENSION

A picture is worth a thousand words' is an ancient saying. Imagine then the value of a video. Forrester Research estimates that one minute of video is worth 1.8 million words. With facts like these it is hardly surprising that video is transforming our communications. Cisco estimates that by 2019 video will account for 80% of all video traffic. It is now estimated that 61% of all businesses use video in their marketing.

SO WHAT IF YOU ARE NEW TO VIDEO?

If you are not using video for your business, you may be wondering what the benefits are of using video.

There are many. The first reason is improved communication. In 2015 the Financial Conduct Authority (FCA), the regulator for the financial services industry issued a very unusual discussion document entitled 'Smarter Consumer Communications'. It was unusual because it admitted that the FCA had got their communications wrong, and that no one (other than lawyers perhaps) actually read the pages and pages of small print that has to be issued with every contract. The paper went on to say that it would like the industry to use other means of communications, and in particular infographics and video.

So why is video so important in improving communications? Simply, it can engage with the emotions, and is immersive, both aurally and visually. This means that it attracts people's attention quickly, and then retains it. According to Microsoft the average person has an attention span of 8 seconds, which is why 60% of visitors to a website will watch a video before reading any text.

BETTER MARKETING

Most business presentations are just dull. We have all been subjected to 'death by PowerPoint'.

When video is such a powerful and emotional medium we are amazed that business presentations don't make use of videos more to create impact. Invariably they will be the most memorable part of the presentation.

Every business now has a website, and most have a presence on social media. This gives you your own marketing platform. In the pre-internet age you had to pay for magazine adverts, TV or radio slots in media owned by someone else in order to get your message out to the world. In theory you can now spread the word about your business for free using your website and social media channels.

In practice it is generally a good idea to use a digital strategy that combines owned media (website and social media channels) with paid media that can include Adwords, display ads, social media ads, traditional ads) to propel your brand and promote your goods and services.

The problem that businesses face is that whatever their digital strategy, the average person is exposed to more than 3,500 online marketing messages a day. About 99% of these messages are ignored. To get noticed you need to make an instant impact and video does this better than any other medium.

ONLINE IMPACT

Having video on your site is excellent for Search Engine Optimisation (SEO). A report by HubSpot in 2016 revealed that video on a website drives a 157% increase in organic traffic from search engines. Video reduces bounce rates too, you keep attention for longer.

Videos and mobile devices go hand in hand, particularly now that networks are fast enough to stream films and video properly. More than half of YouTube's views come from mobile devices, and mobile represents 65% of time spent on digital media.

LEARNING IS CHANGING

It has long been recognised that different people learn in different ways. Some like reading, others looking, others hearing. Video can encapsulate all of these, and so will effectively engage with more people.

The internet has changed things immeasurably. It has brought film into our everyday lives. It is anytime, anywhere. It is a medium that we are simply comfortable with.

There is also no doubt that the internet has changed our reading habits. We get used to focusing our attention on fewer words. Words that are contained by the size of the screen. Even newspapers have responded to this pattern over the past 20 years, delivering the news in more bite sized chunks.

Given these social changes, it is time that business caught up with these trends, and then use them to their advantage.

VIDEO FOR YOUR BUSINESS

If you are planning to use video for your business, whether for the first time or not, it is important to keep certain principles in mind. Producing a video is not a stand-alone activity. It should form part of your overall marketing strategy, and be carefully planned.

Have clear objectives on how you want to use the video, and who the audiences will be. Be very clear what messages you want the audiences to take away from it.

Because it is part of your marketing strategy, think through in advance how you can use the video as part of your overall digital strategy. It will also help if you choose a production company that understands this, and one that can be you project partner through the whole process.

Get this right, and video can transform your business and the way that people see you.

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Who carries the burden for IT security in your business?
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ilicomm has over 25 years' data security expertise across multiple sectors. This provides us with the knowledge and expertise to review your systems and operations against best practice. Whether undertaken as an exercise to assist your internal IT operation or as a way of completing due diligence on an external provider, **SIA+ will identify** your business's security strengths and weaknesses.

Cyber Essentials

- Government-backed cyber security certification.
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- Self-assessed certification.

Cyber Essentials is now a pre-requisite for any business tendering for central government contracts. It takes your business to a recognised cyber security standard that can reduce cyber insurance premiums.

SIA+ will provide your business with a risk 'hit list' targeted to achieve Cyber Essentials certification.

GDPR

- Name attributed to new data protection legislation.
- All UK businesses must comply with data regulations.

SIA+ will identify and correlate the location of your critical data combined with the security parameters assigned to it to produce a roadmap to guide your business towards the key requirements of GDPR compliance.

Health Check

- Understand where your vulnerabilities lie.
- Create a more robust IT operation.

SIA+ will inform you how strong your systems are, what weaknesses there are and how best to remedy them in a cost-effective way. This will enable you to differentiate your products and services in an increasingly cyber-security-aware marketplace.

Your Business

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