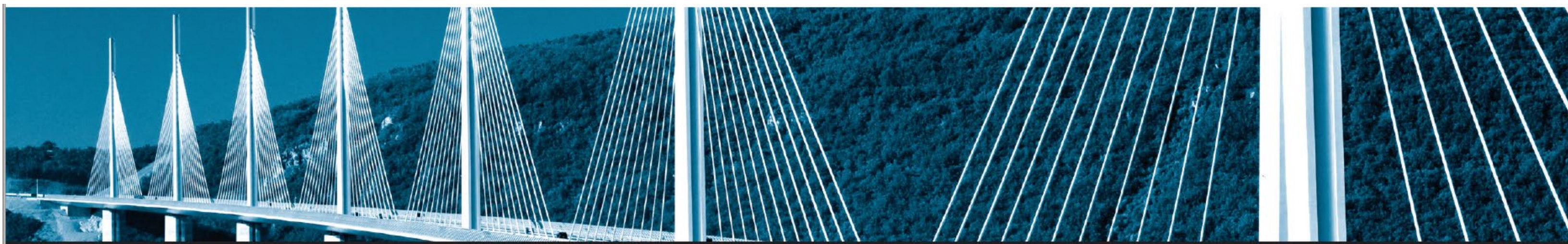

mannmade GROUP

Family Investment Companies

A private Family Investment Company ("FIC") can be used as an alternative to a family trust in preserving and passing assets to future generations. An FIC can be formed in a number of jurisdictions and the optimum structure will depend on the tax status of the family members who are to be the shareholders in the FIC.

The initial shareholders, who may also be directors[1], will typically be those family members that will transfer economic benefit[2] to the FIC. These shareholders usually retain voting control over the FIC (at least initially) and over time transfer the right to capital to relatives holding different classes of shares in the FIC. Each share class may have a different right to income, or no right to income and the power to declare dividends is held by the directors. The Articles of Association and the Shareholder's Agreement set out the directors' powers and also the rights attaching to each share class as well as other provisions. These documents can be drafted to protect the shares from sale outside of the family and from being used as security.

Shares can be subscribed for in cash, the initial shareholders may choose to lend funds to the FIC or assets can be transferred. On transferring assets, taxes on the disposal of assets and transfer taxes must be considered.

There is often no immediate charge to gift or inheritance taxes as the initial shareholders are exchanging one asset for another, so there is no loss to their estate. The transfer of rights to capital from one share class to another might also be achieved with no immediate tax charge or in some cases no tax charge at all. Mann Made Group can advise on the tax position on the gradual transfer of rights from one generation to another.

There are a number of commercial advantages to using an FIC. The initial shareholders will not only retain control initially, they are also in a position to coach younger generations in the business and investment methodology that led to the generation of family wealth. The younger generations may become more engaged in family wealth preservation and their involvement at an earlier stage can assist in preserving capital and enhancing returns.

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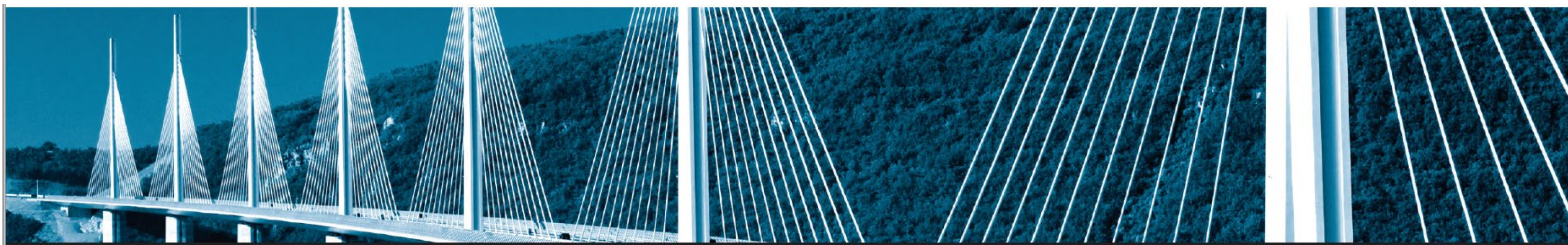
[1] Therefore maintaining control over the day to day activity of the FIC, including making investment decisions.
[2] By the transfer of assets such as cash, investments or property or by lending cash to the FIC.



The use of an FIC can provide potential for tax efficient accumulation of profits. It may be possible to incorporate the FIC in a tax neutral jurisdiction such that profits are taxed only when distributed to shareholders and not when received by the FIC[3].

An FIC may simplify administration on succession. A company is a legal person and so will own the assets that represent part of the family wealth. On the death of the initial shareholders, only their holding in the FIC will need to be transferred and not the underlying assets.

Mann Made Group can assist in advising on the creation and operation of an FIC, including on the tax implications of creating and funding the FIC.

This document is to provide general information only and does not constitute advice.

[3] Subject to the nature of the assets held and the tax residency of the shareholders.