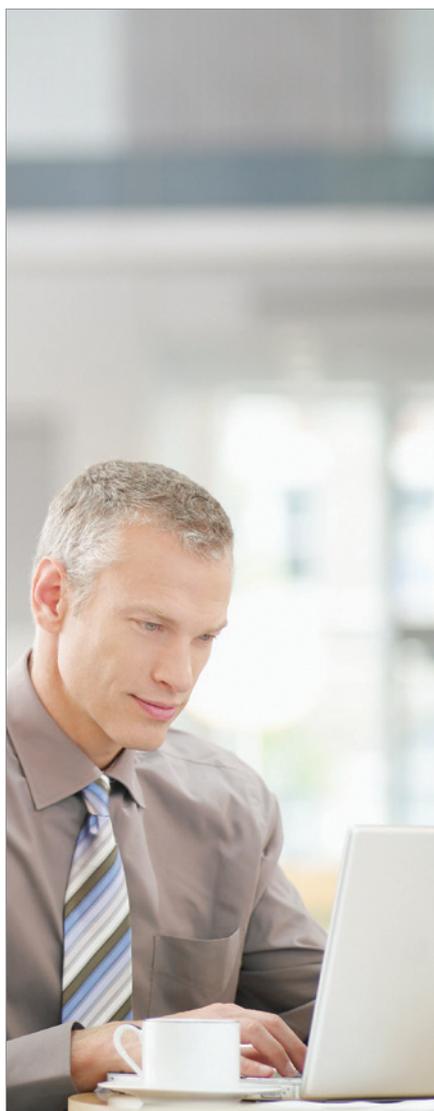


Succession planning: Considering the future of your business

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After working hard to grow your business, it's essential to achieve the best possible exit outcome.



Our latest research finds that a quarter (24%) of owner managed businesses are certain or very likely to review their succession plans during the course of 2018*, but many may not be aware of the full range of options available when considering the future of their business.

Business leaders are advised to take care: failure to plan ahead could not only reduce the potential value of your business, but could lead to a loss of advantageous tax reliefs and expose you to unnecessary risks.

Relinquishing control or selling your business will undoubtedly be one of the most challenging, emotional and life changing decisions you ever make. Whether you now want to generate cash for retirement or a new venture, or want to pass the value in your business to the next generation of your family, you need to plan ahead.

It's vital to think early on about what type of exit you want to achieve and, if selling your business, who you want to sell it to. Unless you intend to pass ownership on to the next generation of your family, it's best to keep your options open. Potential buyers may turn out to be your management team, a competitor, an individual investor or private equity group, an international buyer or even someone from outside your core market.

Moore Stephens specialises in advising owner managers on how to weigh up their options, guiding you and, where applicable, the next generation through the complete succession planning process.

You will also need to consider how you want to extract value from your business, for whose benefit and at what time. There is no blueprint and every owner must work out what is best for them. You might want to consider reinvesting your proceeds or funding the next generation. Alternatively, you may choose to close shop in a controlled manner and retire.

Moore Stephens can support you to maximise the value of your business, or successive businesses, and protect your wealth whilst maintaining your lifestyle. We want you to continue feeling confident in the choices you have made long after you have handed over the reins.

*Source: Moore Stephens 2018 Owner Managed Business report

Key actions to consider when planning for business succession

Actions taken prior to business succession or exit can increase value and reduce risk.

Tax planning and wealth management

Tax planning is essential for any form of business exit or succession; you could miss out on valuable tax reliefs simply by failing to plan in good time or by making minor changes to the business.

An extremely valuable tax relief to business owners is Entrepreneurs' Relief, which can halve the rate of Capital Gains Tax you pay on your sale proceeds, in addition to Business Property Relief which can reduce the value of businesses charged to Inheritance Tax by up to 100%.

Tax planning does not always cease when you sell or hand on your business. You may need to consider how to invest any cash proceeds in a tax-efficient manner, or how to maximise your remaining family wealth if you have given your business to the next generation.

Restructuring and corporate simplification

Peace of mind after exit is important. Corporate simplification planning provides vendors with the comfort that no outstanding risks or liabilities remain and can also significantly increase the value and attractiveness of your business. Corporate simplification planning can also enable you to access undistributable reserves tax efficiently.

Establishing how much your business is worth

It's useful to have an indication of the value of your business when considering any form of succession plan. If you are favouring a sale and exit from the business, you can gain an idea of how potential purchasers may value your business. Alternatively, if you are looking to give value away to the next generation, it's equally important to know the likely value of your gift, especially if not all descendants will be receiving an equal shareholding.

Putting your business in the best position for succession

It's important to prepare your business in good time as part of your succession planning, addressing any potential issues. For example, it's best to resolve any disputes with suppliers, customers, employees or HMRC. Make sure your accounting records are in good order and all compliance matters, including company secretarial documentation, statutory accounts and tax returns, are up to date. If there are any gaps in the management team, these should also be addressed.

If you are considering a sale to a third party, the buyers will undoubtedly seek assurances from you in the form of warranties or indemnities, so you need to take action in advance of the sale to minimise your potential exposure.

Succession planning: many decisions to be made



What's the best form of exit for you? Consider the strengths of the business, management and family relationships.

Management succession

Sale to third party

Family succession

Closure, retirement
and exit



Is your business ready for exit? Ensure that your business is in the best position for succession.

Corporate simplification

Company secretarial

Accounting records,
accounts and tax returns

Legal matters



What form of succession suits your circumstances best?

Buy out by family or
management

Trade or share sale

Gift

New holding company and
wind up subsidiary



How could you recognise the value of the business?

Cash

Loan notes

Preference shares

Ordinary shares



What do you want to do with the value you receive?

Spend cash

Gift cash

Reinvest

Family Investment
Company



What are your plans after succession?

Retirement

Reinvest in a
new venture

Assist the next generation
with funding

Undecided?

Our experience



Case study 1: Sale to management

The owners of an established group of companies active in groundworks, civil engineering, reinforced concrete structures and remediation were looking to exit the business within five years. They had a deep-seated sense of loyalty to the existing management team, employees and business itself, which they wanted to continue to flourish and prosper in its current form. They therefore struggled with the idea of selling the business to a third party.

How we helped

We encouraged the owners to consider all their options before focusing on a sale to the management team. Once decided, we supported the owners in filling any gaps in the upcoming management's skills base and in forming a detailed exit plan to achieve their goals – a management buyout of the core business where the owners retained some involvement.

We helped to execute this plan, providing introductions to funders, completing pre-sale due diligence and modelling to ensure the business was in good shape, and delivering corporate tax planning advice.

As well as achieving a successful sale, the owners also needed to extract value from the business in a tax-efficient way. We helped them to do this through corporate simplification and tax advice, enabling them to extract funds from a non-core part of the business. We then supported the former owners in establishing family investment companies so that they could reinvest some of the funds for the benefit of future generations.



Case study 2: Family succession

The same family has owned this company, which operates in the motor industry, for more than 100 years. Each generation of the family views themselves as custodians of the business, aiming to pass it on to future generations to own and manage.

How we helped

We work with each generation of owners to help them meet their custodianship goals. This includes providing advice and support in relation to selling assets or activities that are no longer required in the business, separating assets that are no longer core to the business and reinvesting funds in the expansion of the business.

We have also assisted with succession from one generation to the next by valuing the business for probate purposes and ensuring that it qualifies for beneficial inheritance tax reliefs. We have worked with the custodians to plan the timing of transactions where there has been conflict between the commercial aims of the business and the succession to the next generation. We have also helped the current owners with plans to ensure that the ownership of the company does not become too diversified, which is a potential issue when family businesses pass to the third or fourth generation.

Our experience



Case study 3: Sale to a third party

This high-tech group of companies focused on the hire and sale of audio-visual (AV) equipment, with particular expertise in video-wall and large format displays. The business was driven by technology trends, while also expanding its service offerings. The group was forecasting revenue growth of 130%, with profit also expected to increase. The owners wanted to consider their future options for an exit at some point.

How we helped

We helped the owners to consider their potential options. We provided vendor due diligence to ensure the business was ready for sale with no issues to address. We also provided corporate and personal tax planning advice. The owners were then approached by a leading trade-only distributor of commercial AV, consumer, print and security solutions, which saw potential in acquiring the company. The preparatory planning and due diligence already completed by the owners resulted in a faster sale process. As part of the deal, the former owners agreed to stay on after the sale to undertake a corporate simplification exercise. This involved collapsing the historic structure and consolidating the business into one trading entity.

The new owners subsequently listed the enlarged business on AIM, while our clients are enjoying semi-retirement and considering new business ventures.



Case study 4: Closure, exit and retirement

The shareholders in an owner managed business had completed the development of a real estate property and were seeking to close and exit from the business.

How we helped

We talked to the owners about their lifestyle goals and offered tax planning advice to help them realise these. In particular, we made sure the owners would benefit from Entrepreneurs' Relief and so achieve a tax-efficient return of capital.

We then helped to achieve a fast exit process. We supported the owners with their inquiries into the company's affairs, the realisation of assets and the identification of any actual or contingent creditors to ensure they were able to close the business with peace of mind. We also facilitated various distributions of the company's net assets in line with the client's retirement planning.

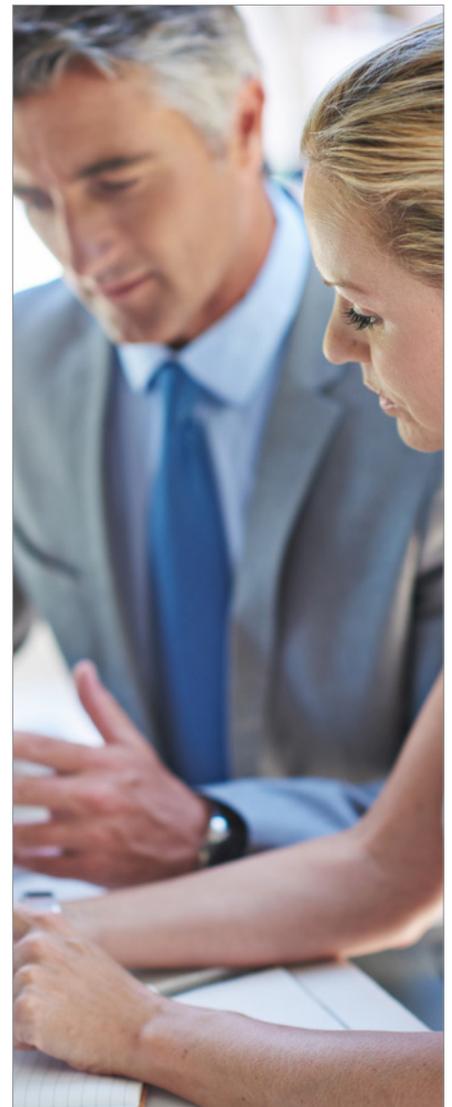
How we can support you

Our experienced team can guide you through the range of options available, and manage the process on your behalf.

Our owner managed business team, comprising of specialists in corporate finance, business tax, wealth management and restructuring and insolvency, are on hand to support you through the process of planning for the future of your business.

We understand the challenges facing business owners, and are able to provide clear, concise advice on the options available that will allow you to achieve your commercial objectives.

We know that the commercial and personal objectives of business owners are unique, which is why we offer a free, confidential exploratory meeting to understand more about the challenges and opportunities facing your business. To find out more, simply contact a member of our team detailed overleaf.



About Moore Stephens

We help you thrive in a changing world.

We provide all the support and guidance you need to deal with new risks and opportunities. We ensure easy access to the right people, so decisions can be made quickly and confidently. A consistent team will partner with you to support your aspirations and contribute to your success.

You'll have access to a range of core services, including audit, accounting, tax, risk and systems assurance, corporate finance, restructuring and insolvency, wealth management and disputes analysis. As a Top 10 accounting and advisory network we support a broad range of individuals and entrepreneurs, large organisations and complex international businesses.

If your business and personal interactions need to expand, we'll help make it happen – coordinating advice from a network of offices throughout the UK and in more than 100 countries.

Moore Stephens globally

Moore Stephens International is the 11th largest global accountancy and consulting network, headquartered in London. With fees of over US\$2.9 billion and offices in 112 countries, clients have access to the resources and capabilities to meet their global needs.

By combining local expertise and experience with the breadth of our UK and worldwide networks, clients can be confident that, whatever their requirement, Moore Stephens provides the right solution to their local, national and international needs.

Contact information

If you would like further information on any item within this brochure, or information on our services, please contact:



Mark Lamb – Partner, Head of Owner Managed Businesses

mark.lamb@moorestephens.com



Mike Cooper – Partner, Business tax

mike.cooper@moorestephens.com



Jeremy Willmont – Partner, Restructuring & Insolvency

jeremy.willmont@moorestephens.com



Phil Cowan – Partner, Corporate Finance

phil.cowan@moorestephens.com