

Ensuring fair shares if you sell your business

BUSINESS MATTERS

If you are thinking of selling your business, how do you realise the share value of what you built up, if the buyer's main focus is on the assets? **Lisa Thomas**, insolvency practitioner at Plymouth-based Neville & Co, explains



If you have built up a business over a number of years you might find yourself in the very fortunate position of being sat on a reasonable bank balance from either accumulating profits or perhaps from selling the business. Quite often when you come to sell a business the buyer does not want to buy the shares – they just offer to buy the assets out of the company – as it is less risk.

This leaves you with the problem of how to get the money out. If the funds held are less than £25,000 (all of the assets in the business) then you can write to HM Revenue and Customs and ask for clearance to pay the money out to shareholders as a capital distribution. This has the advantage of not being a dividend which is taxed as income but being capital. Hopefully this will then be taxed as a capital gain under what is known as Entrepreneurs Relief at just 10% tax.

When the funds held are over £25,000 you cannot just get clearance from HM Revenue and Customs. You will need to dissolve the company using a Members Voluntary Liquidation (MVL). This is a legal method of liquidating the company even though it is solvent. It means the funds paid out can usually be treated as capital gains. You do need a licensed insolvency practitioner like me to do this. Before you worry about the money we do this a lot and are also bonded so the money is safe, although my objective is always to get the money back to the shareholders as soon as I can after liquidation.

The procedure for an MVL is very straightforward. The directors prepare a declaration of solvency form with the help from ourselves and the company's existing accountants. This is effectively a balance sheet which discloses the company's estimated assets and liabilities showing a positive balance available to be

distributed to the shareholders.

Usually we recommend that all creditors have been paid in full prior to liquidation and all assets are sold and turned into a bank balance to keep it simpler for us to deal with. Sometimes this cannot be done and there is perhaps a property in the business but we can in fact still distribute the property to shareholders equally without selling it.

There are some time limits and once the company has ceased trading the liquidation must have happened within three years to qualify for the lower rate of capital gains tax. There are also other conditions that must be met such as the company actually traded. Usually the tax advice about this comes from your own accountant. We do not give tax advice – we just liquidate the company for you and make sure all the statutory rules and regulations have been complied with.

Restructure your company with a Scheme of Arrangement

We can also offer a procedure called a Section 110 Scheme of Arrangement (S110). This usually involves splitting a company into two (with no tax payable). A typical example is separating out two types of trade; one risky the other not so risky into two new companies.

It can be used if the company owns freehold property it wants to keep separate to the trade or where there are two or more shareholders who want to go their own way.

If you think an MVL or S110 might be

applicable to you feel free to get in touch with me to set up a free initial meeting and discuss your options.

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BUSINESS RESCUE & RECOVERY

Talented graduates welcomed by accountants on trainee scheme

Accountancy firm Francis Clark has appointed nine graduate trainees to its annual graduate trainee programme.

Daniel Austin, Robin Doddrell, Hollie Turnock and Ben Tolan all join the firm's Plymouth office, while Rob Deare and Caroline Hole will be Exeter based.

Emily Brunsten-Brown joins the Tavistock office with Sam Hole in Taunton and Emily Powe in Torquay.

The nine have studied in a wide variety of disciplines, with three achieving first class honours.

All will begin study for their accounting qualifications this month.

Francis Clark's managing partner Les Burnett, said: "As a growing and ambitious firm, we look to recruit the very best talent and we are able to do this because our working environment is one where achievements are recognised and rewarded."

Francis Clark also operate an apprentice scheme for school leavers and a paid summer placement programme for undergraduates in their penultimate year of study.



Family values: The Mitchell and Webber team flanked by John Weedon, left and Robert Weedon, right

Family firm turning up the heat with new depot launch

BY CATHERINE BARNES

A company which has been keeping homes warm in Cornwall for more than a century, is expanding its operations into Somerset.

Scorrier-based Mitchell and Webber has £500,000 investment plans for a new heating oil depot near Tiverton, in a move which will see it extend its reach as far as Taunton.

The move is the most significant investment for the company, since it established a Devon base with a £350,000 Holsworthy depot in 2011.

Its expansion into Somerset will create five new jobs within the business, taking its total headcount to more than 70.

The company is also set to invest £400,000 in four new

tankers for its 35-strong fleet of delivery vehicles, which will soon be covering an area of around 6,000 square kilometres.

As well as supply heating oil to homes in some of the remotest parts of the Westcountry, the business also maintains and services tanks and heating systems.

Its 25,000-strong customer base also includes the farming sector for fuels and lubricants, industrial clients and marine.

A family-run business, director John Weedon said that its ongoing success was down to good old-fashioned customer service.

"We treat people as names, not account numbers," he said "and if you call, it's not a matter of pushing one for this

or that. You speak to someone – done and dusted – and if we say we are coming, we come.

"We've got to serve our customers. If a farmer calls last thing on Friday to say he needs a delivery; that could be his business out of action on the Saturday – so we will respond."

Mr Weedon who began his career in corporate banking, joined the family business in 2002. His brother, Robert is at the helm as its MD.

The pair took over the day-to-day running of the business from their father, Roy, and Ted Webber, the grandson of company co-founder Frederick Webber. Now in their 70s, both patriarchs play an active role still in the business, however.

Mitchell and Webber came into being in 1966, with the

merger of two long-established Cornish businesses.

Webber's evolved from a packman's round selling lamp oil, which really began to gain ground in the 1920s, when the business struck an advertising deal with Palmolive. This supported the cost of getting their first motorised truck on the road.

Mitchell's grew from a smithy in Bridge near Redruth, which diversified into selling oil and machinery repairs.

"It has always been the company's ethos to re-invest and build a strong base," says Robert Weedon.

"This 'only have what you can afford' approach may be old fashioned, but it has meant that we are in a position to move forward."

Luxury student apartments being marketed to investors

Specialist luxury accommodation provider, Vita Student, has selected Exeter as the location for a new £17 million project.

The company is refurbishing Portland House not far from the main university campus into a complex of 161 luxury studios and two-bedroom apartments.

The project will be completed in time to accommodate from September next year.

Apartments will feature fitted kitchens, en-suite bathrooms and free high-speed 100MB broadband, Wi-Fi, as well as a flat screen smart TV.

Vita Student was founded in 2012 by luxury developer Vita Ventures which has been targeting Russell Group university cities across the UK.

It already has student developments in Liverpool, Manchester and Bristol.

The apartments are due to go on sale to property investors next week, from September 26.

The starting price of each studio is £77,950 and investors are assured a 7% rental yield for the first five years.

Vita Student chief executive Trevor Moore, said: "Investor requirement for student property like ours is at an all-time high. The rate at which all our projects have sold demonstrates that our model is successfully addressing the market demand."

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