

# Business Acquisition:

A GUIDE FOR CLIENTS



Financial  
Group

# INTRODUCTION

THIS GUIDE COVERS THE PROCESS OF BUYING AND SELLING A PRIVATELY-OWNED COMPANY, LOOKING AT DEAL STRUCTURE, DUE DILIGENCE AND THE KEY DOCUMENTATION REQUIRED THROUGHOUT THE ACQUISITION PROCESS.

ACQUIRING A COMPANY CAN BE A LONG COMPLEX PROCESS; GAINING AN UNDERSTANDING OF WHAT IS INVOLVED AND WHAT TO LOOK OUT FOR WILL NOT ONLY HELP TO SET EXPECTATIONS, BUT IT WILL ALSO ENSURE THERE ARE NO NASTY SURPRISES ALONG THE WAY.





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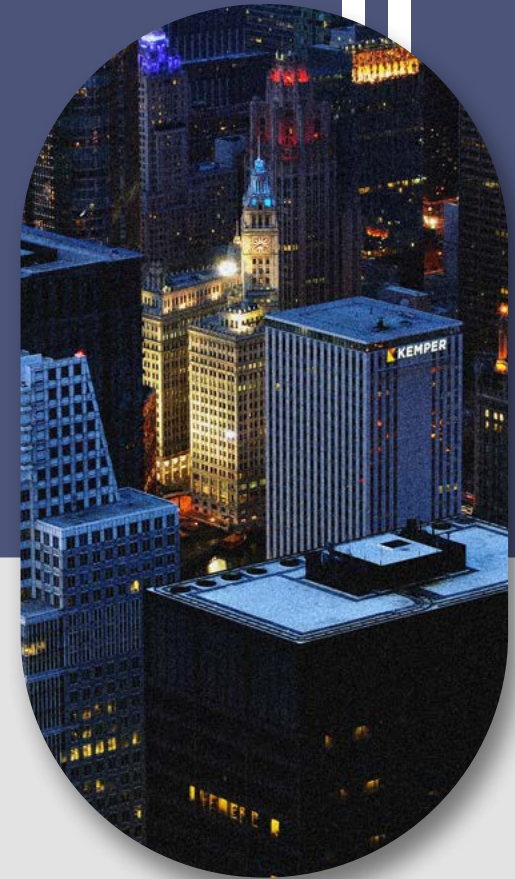
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# DEAL STRUCTURE (ACQUISITION METHOD)



## **THERE ARE TWO MAIN WAYS IN WHICH BUSINESSES ARE ACQUIRED:**

1. PURCHASING SHARE CAPITAL - WHERE ALL THE SHARES OF THE COMPANY ARE PURCHASED BY A BUYER AND SOLD BY A SELLER.
2. PURCHASING ASSETS - WHERE A BUSINESS SELLS ALL OR SOME OF ITS ASSETS TO THE BUYER. THE BUYER WILL ACQUIRE THE ASSETS IN EITHER A NEW OR EXISTING BUSINESS.

IN MOST CASES, ACQUISITIONS TEND TO BE A SHARE CAPITAL PURCHASE, BUT IN SOME CIRCUMSTANCES A BUSINESS ASSET PURCHASE CAN BE MORE BENEFICIAL.

IN DECIDING WHICH DEAL STRUCTURE IS RIGHT, CAREFUL CONSIDERATION NEEDS TO BE GIVEN TO SEVERAL AREAS.

## **TAX**

THE TAX IMPLICATION FOR EITHER THE BUYER OR SELLER IS OFTEN THE MAIN CONSIDERATION WHEN STRUCTURING THE SALE OR PURCHASE OF A BUSINESS. THIS CAN BE PROBLEMATIC AS THE TAX POSITION OF THE BUYER VERSUS THE SELLER, IS LIKELY TO BE DIFFERENT.

FROM THE SELLER'S PERSPECTIVE, SELLING THE SHARES OF A BUSINESS IS LIKELY TO BE MORE TAX BENEFICIAL, WHEN COMPARED TO SELLING THE ASSETS OF A BUSINESS, AS IT AVOIDS A POTENTIAL DOUBLE TAX CHARGE FOR THE SELLER.

FROM THE BUYER'S PERSPECTIVE, THE IMMEDIATE IMPACT OF EITHER METHOD IS MINIMAL. HOWEVER, THE BUYER'S FUTURE POSITION NEEDS TO BE CONSIDERED CAREFULLY AS THE TAX IMPLICATIONS FOR THE BUYER, ON ANY FUTURE SALE OF THE BUSINESS, WILL DIFFER DEPENDING ON THE METHOD OF ACQUISITION.

IT IS CRUCIAL FOR ANY BUYER OR SELLER TO FULLY UNDERSTAND THE TAX IMPLICATIONS SPECIFIC TO THEM AND THEIR SITUATION. SEEKING SPECIALIST TAX ADVICE FROM A PROFESSIONAL WHEN BUYING OR SELLING A COMPANY IS VITAL TO ENSURE THAT THE TAX IMPLICATIONS ARE EXPLORED IN FULL AND THE CORRECT ACQUISITION METHOD IS STRUCTURED FOR THE DEAL.

## ASSETS & LIABILITIES

ON A COMPLETE SHARE PURCHASE, THE ENTIRE BUSINESS' ASSETS AND LIABILITIES ARE ACQUIRED AND TRANSFERRED FROM THE SELLER TO THE BUYER. THIS IS LIKELY TO BE THE DESIRED OPTION FOR THE SELLER, AS IT PROVIDES THEM WITH A COMPLETE EXIT FROM THE BUSINESS. HOWEVER, CAREFUL CONSIDERATION AND SCRUTINY NEEDS TO BE GIVEN TO THE FINANCIAL POSITION OF THE BUSINESS TO ENSURE THE BUYER DOES NOT ACQUIRE A COMPANY WITH LIABILITIES IN EXCESS OF ITS ASSETS.

IF THE BUYER SUSPECTS THERE MAY BE UNKNOWN LIABILITIES, OR THAT THE ASSET VALUATIONS COULD PERHAPS BE LOWER THAN ANTICIPATED, A STRAIGHT ASSET PURCHASE MAY BE A MORE SUITABLE METHOD. WHEN PURCHASING A COMPANY, WE RECOMMENDED THAT THE BUYER INSTRUCTS A FINANCIAL EXPERT TO CARRY OUT A FINANCIAL DUE DILIGENCE REVIEW OF THE COMPANY TO CONFIRM THE FINANCIAL POSITION IS NOT MISLEADING.



## PRACTICALITIES

IN MOST CASES, ENSURING THE 'CONTINUITY OF TRADE' IS KEY TO THE FUTURE SUCCESS OF A BUSINESS POST ACQUISITION.

PURCHASING SHARE CAPITAL ALLOWS FOR THE CONTINUITY OF BUSINESS OPERATIONS, AS IT IS ONLY THE BUSINESS OWNERSHIP THAT HAS LEGALLY CHANGED HANDS.

PURCHASING ASSETS ON THE OTHER HAND, WILL ESSENTIALLY CEASE THE EXISTING BUSINESS OPERATIONS UPON THE SALE OF ITS ASSETS. THIS WILL OFTEN RESULT IN THE NEED FOR NEW CUSTOMER/SUPPLIER AGREEMENTS BEING REQUIRED AND POTENTIAL STAFF CONTRACT ISSUES, WHICH BOTH COULD IMPACT THE CONTINUITY OF TRADE.

ANY BUYER SHOULD CAREFULLY CONSIDER THE FUTURE BUSINESS OBJECTIVES POST ACQUISITION AND HOW THESE WILL BE AFFECTED BY THE DIFFERENT ACQUISITION METHODS.

# DUE DILIGENCE

**WHEN A BUYER ACQUIRES THE SHARES OR ASSETS OF A BUSINESS, THE GENERAL PROTECTIONS THAT APPLY TO EVERYDAY CONSUMER TRANSACTIONS, DO NOT APPLY.**

IT IS THEREFORE IMPORTANT FOR THOSE INDIVIDUALS OR BUSINESSES, WHO ARE UNDERTAKING ACQUISITIONS, TO GATHER AS MUCH INFORMATION ABOUT THE ACQUISITION BUSINESS AS POSSIBLE, TO ENSURE THEY FULLY UNDERSTAND THE FINANCIAL POSITION AND THE RISKS ASSOCIATED WITH THE BUSINESS THEY ARE ABOUT TO ACQUIRE. THIS IS KNOWN AS 'DUE DILIGENCE' AND IS CARRIED OUT BY THE BUYER AND THEIR PROFESSIONAL TEAM.

COMPLETION OF DUE DILIGENCE WILL HELP THE BUYER:

- UNDERSTAND THE FINANCIAL POSITION OF THE BUSINESS, SUCH AS ITS ASSETS AND LIABILITIES.
- UNDERSTANDING OF THE KEY CUSTOMERS AND SUPPLIERS OF THE BUSINESS.
- UNDERSTAND THE TAX CONSIDERATIONS OF THE BUSINESS.
- IDENTIFY KEY STRENGTHS AND WEAKNESSES OF THE BUSINESS.
- IDENTIFY KEY AREAS OF IMPROVEMENT AND CONSIDERATIONS POST ACQUISITION, SUCH AS WARRANTIES, SYSTEMS AND PROCESSES.
- IDENTIFY ANY OUTSTANDING LEGAL OBLIGATIONS.
- HIGHLIGHT 'KEY MAN' RISK.

THROUGHOUT THE DUE DILIGENCE PROCESS, ACCOUNTANTS AND SOLICITORS WILL WORK CLOSELY WITH THE BUYER TO ENSURE THE CORRECT LEVEL OF DUE DILIGENCE IS COMPLETED.

## LEGAL DUE DILIGENCE

THE BUYER'S SOLICITORS WILL SEND A DETAILED INFORMATION REQUEST TO THE SELLER OR TO THEIR SOLICITORS.

THESE ENQUIRIES USUALLY COVER ALL LEGAL ASPECTS OF THE BUSINESS BEING ACQUIRED, SUCH AS ITS LEGAL STATUS, EMPLOYEE CONTRACTS, TRADING CONTRACTS, PROPERTY DEEDS OR LEASE AGREEMENTS, FINANCIAL AGREEMENTS AND ANY OTHER KEY INFORMATION, RELEVANT TO THE BUSINESS AND ITS LEGAL POSITION.

UPON REVIEW, THE SOLICITOR WILL HIGHLIGHT ANY POTENTIAL LEGAL RISKS TO THE BUYER AND RECOMMEND ANY PROTECTIVE MEASURES TO PUT IN PLACE, IF NECESSARY.



## FINANCIAL DUE DILIGENCE

THE BUYER'S ACCOUNTANTS WILL ANALYSE THE FINANCIAL RECORDS OF THE TARGET BUSINESS AND WILL COMPLETE EITHER A 'LITE' OR 'DETAILED' FINANCIAL REVIEW OF THE BUSINESS' ACCOUNTING RECORDS AND OTHER KEY FINANCIAL INFORMATION.

FINANCIAL DUE DILIGENCE FOCUSES ON ASSESSING THE HISTORIC TRADING PERFORMANCE OF THE BUSINESS TO ENSURE THAT ANY ASSUMPTIONS, THE BUYER IS MAKING ABOUT ITS POTENTIAL FUTURE PERFORMANCE, ARE ACCURATE.

- LITE REVIEW - LOOKS AT GENERAL FINANCIAL PERFORMANCE, AS WELL AS CONFIRMING THE EXISTENCE OF ASSETS AND LIABILITIES OF A BUSINESS. LITE REVIEWS ARE GENERALLY SUITABLE FOR BUSINESSES WHERE THE BUYER IS FAMILIAR WITH THE BUSINESS AND INDUSTRY, SO THE ACQUISITION IS CONSIDERED LOWER RISK, OR THE ACQUISITION ITSELF IS A LOW VALUE TRANSACTION.
- DETAILED REVIEW - IS A MORE COMPREHENSIVE REVIEW OF THE FINANCIAL PERFORMANCE OF A COMPANY THROUGH DETAILED SAMPLE TESTING, LOOKING AT ITS ASSETS, LIABILITIES AND HISTORIC FINANCIAL PERFORMANCE. IT LOOKS AT LONG TERM CUSTOMER AND SUPPLIER CONTRACTS, AS WELL AS CONSIDERING FUTURE TRADING CONDITIONS, CASH-FLOW FORECASTING, FINANCIAL OBLIGATIONS AND FINANCIAL STRUCTURE.

BOTH REVIEWS WILL ALSO LOOK AT THE TAX COVENANTS OF THE TARGET COMPANY TO ENSURE THAT ANY LIABILITIES DUE TO HM REVENUE & CUSTOMS ARE EITHER CLEARED PRIOR TO THE PURCHASE OR PROVIDED FOR BY WAY OF A WARRANTY.

THE BUYER'S ACCOUNTANTS WILL EVALUATE THE INFORMATION REVIEWED AND WILL PRODUCE A DUE DILIGENCE REPORT FOR THE BUYER, HIGHLIGHTING ANY AREAS OF CONCERN FOR CONSIDERATION, ALONG WITH ANY RECOMMENDATIONS IF NECESSARY.

## FINANCIAL DUE DILIGENCE INFORMATION

PREVIOUS 2 YEARS ACCOUNTS  
PREVIOUS 2 YEARS TAX RETURNS  
LATEST DEBTORS REPORT  
CUSTOMER REVENUE REPORT

LATEST CREDITORS REPORT  
FIXED ASSET REGISTER  
LOAN AGREEMENTS  
KEY SUPPLIER AGREEMENTS

LEASE AGREEMENTS  
EMPLOYEE PAYROLL SUMMARIES  
BANK STATEMENTS FOR 2 YEARS  
KEY CUSTOMER AGREEMENTS

## ACCOUNTANTS ROLE

AS PART OF THE FINANCIAL DUE DILIGENCE PROCESS THE ACCOUNTANT REVIEWS THE SUPPORTING DOCUMENTATION COMPRISING THE FINANCIAL NUMBERS OF THE BUSINESS.

THE REVIEW OF FINANCIAL INFORMATION IS COMPLETED ON A SAMPLE BASIS AND IS COMPLETED TO CONFIRM THE BASIS FOR VALUATION IS CORRECT AND THAT FUTURE AND HISTORIC REVENUES, EXPENSES AND PROFITS ARE SUSTAINABLE AND GIVE AN ACCURATE REFLECTION OF THE BUSINESS.

MORE SPECIFICALLY, THEY WILL BE LOOKING AT:

- RECURRING REVENUE AND CUSTOMER BASE FOR SALES TRANSACTIONS.
- BUSINESS EXPENSES TO ENSURE THESE ARE BUSINESS RELATED AND NOT UNDER OR OVER INFLATED.
- PROVING THE EXISTENCE OF KEY DEBTORS AND CREDITORS.
- REVIEWING LOAN AND FINANCE AGREEMENTS.
- REVIEWING THE TAX POSITION AND ANY OUTSTANDING TAX LIABILITIES.
- PROVING THE EXISTENCE OF KEY TANGIBLE AND INTANGIBLE FIXED ASSETS.
- REVIEWING THE BASIS OF THE BUSINESS VALUATION TO ENSURE THIS IS ACCURATE.
- REVIEWING THE BUSINESS CASH-FLOW TO ENSURE THE FINANCIAL DEAL STRUCTURE IS SUSTAINABLE GOING FORWARD.
- PROVIDING REASSURANCE TO THE BUYER THAT NO ADDITIONAL LIABILITIES WILL SURFACE FOLLOWING COMPLETION.





## COMMERCIAL DUE DILIGENCE

THE LEGAL AND FINANCIAL DUE DILIGENCE IS LIKELY TO IDENTIFY COMMERCIAL AND STRATEGIC AREAS, THAT THE BUYER MAY WANT TO CONSIDER INVESTIGATING FURTHER IN RELATION TO THE FUTURE COMMERCIAL VIABILITY OF THE BUSINESS POST ACQUISITION.

ONE IMPORTANT AREA TO CONSIDER IS 'KEY EMPLOYEE RISK'. THIS IS CONSIDERED AN ISSUE WHERE KEY KNOWLEDGE, SKILLS, AND IMPORTANT RELATIONSHIPS ARE IN THE HANDS OF ONE OR A FEW STAFF MEMBERS OF A BUSINESS. IF ANY 'KEY EMPLOYEE' WERE TO LEAVE THE BUSINESS POST ACQUISITION, THEY TAKE KEY KNOWLEDGE WITH THEM, LEAVING THE BUSINESS OPEN TO OPERATIONAL AND COMMERCIAL RISK POST ACQUISITION. IF A 'KEY EMPLOYEE RISK' IS IDENTIFIED IN THE COMPANY THAT IS REQUIRED, IT IS IMPORTANT THE BUYER HAS THE RIGHT DEAL CONTROLS IN PLACE TO ENSURE THIS KEY INFORMATION IS NOT LOST. THIS COULD INCLUDE A 'KEY EMPLOYEE' AGREEING TO REMAIN AT THE COMPANY POST ACQUISITION FOR A PERIOD OF TIME.



# KEY DOCUMENTS

THERE ARE SEVERAL KEY DOCUMENTS PREPARED THROUGHOUT THE ACQUISITION PROCESS, INCLUDING:

- **NON-DISCLOSURE AGREEMENT (NDA)** – ENSURES ANY INFORMATION RELATING TO THE POTENTIAL BUSINESS SALE/PURCHASE IS NOT DISCLOSED TO ANY PARTY OUTSIDE OF THOSE INVOLVED IN THE DEAL ITSELF.
- **HEADS OF TERMS** – THIS SETS OUT THE KEY TERMS OF THE ACQUISITION AND WHILST THIS DOCUMENT ISN'T LEGALLY BINDING ITSELF, IT GENERALLY CONTAINS THE KEY INFORMATION THAT WILL LATER FORM THE CONTRACTUAL DOCUMENTS.
- **CONFIDENTIALITY AGREEMENT** – ENSURES THAT ANY INFORMATION SHARED THROUGHOUT THE NEGOTIATION AND DUE DILIGENCE PROCESS WILL REMAIN CONFIDENTIAL.
- **SALE AND PURCHASE AGREEMENT** – THIS IS THE MAIN CONTRACTUAL DOCUMENT FOR THE SALE AND PURCHASE OF THE BUSINESS, CONTAINING THE DETAILED TERMS.
- **DISCLOSURE LETTER** – PREPARED ON BEHALF OF THE SELLER BY THEIR SOLICITOR PROVIDES WRITTEN ASSURANCES AND WARRANTIES TO THE BUYER OVER KEY AREAS CONTAINED IN THE SHARE PURCHASE AGREEMENT.
- **TAX DEED** – THIS IS A SEPARATE DOCUMENT THAT REQUIRES THE SELLER TO INDEMNIFY THE BUYER FOR ANY PRE-COMPLETION TAX LIABILITIES IN THE ACQUISITION COMPANY NOT ARISING IN THE ORDINARY COURSE OF BUSINESS, OR OTHERWISE DISCLOSED IN ITS ACCOUNTS.

THESE DOCUMENTS ARE PREPARED BY THE PROFESSIONAL TEAMS OF EITHER THE BUYER OR THE SELLER AND ARE KEY TO ENSURING THAT PROTECTION IS PROVIDED IN THE KEY AREAS FOR BOTH SIDES OF THE TRANSACTION.



# ACQUISITION PROCESS



## INITIAL STAGES

BUYER AND SELLER NEGOTIATE AND SIGN HEADS OF TERMS, CONFIDENTIALITY, NDA AND EXCLUSIVITY AGREEMENTS IF RELEVANT.



## DUE DILIGENCE

BUYER AND THEIR PROFESSIONAL TEAM COMPLETE LEGAL, FINANCIAL AND COMMERCIAL DUE DILIGENCE THAT PROVIDES BASIS FOR DOCUMENTS TO BE COMPLETED.



## DOCUMENTS

THE BUYER AND SELLER NEGOTIATE THE SALE AND PURCHASE AGREEMENT BASED ON THE INFORMATION COLLECTED THROUGHOUT THE DUE DILIGENCE PROCESS AND THAT CONTAINED IN THE HEADS OF TERMS.



## DISCLOSURE

THE SELLER PREPARES AND DELIVERS DISCLOSURE 'BUNDLE'. ANY NEW INFORMATION IS REVIEWED, AND FURTHER PROTECTIONS/ASSURANCES ARE SOUGHT, IF NECESSARY.



## EXCHANGE

THE SALE AND PURCHASE AGREEMENT ARE FINALISED AND SIGNED. THIS IS ALSO KNOWN AS EXCHANGE OF CONTRACTS. THE PARTIES ARE NOW COMMITTED TO COMPLETING THE SALE AND PURCHASE SUBJECT TO CONDITIONS.



## COMPLETION

THE BUYER TAKES OWNERSHIP OF THE BUSINESS. PAYMENT, RELEASE OF CHARGES, RESIGNATIONS AND APPOINTMENTS TAKE PLACE.



## POST-COMPLETION

ADMINISTRATION IS BROUGHT UP TO DATE, SUCH AS COMPANIES HOUSE FILINGS, STAMP DUTY PAPERWORK, SYSTEM REVIEWS AND NEW POLICY IMPLEMENTATION TAKES PLACE.

# CASE STUDY

BUSINESS ACQUISITION WITH NO UPFRONT CASH CONSIDERATION PAID BY THE BUYER.

## KEY INFORMATION

- BUSINESS TURNOVER AT ACQUISITION WAS £6M.
- THE BUSINESS WAS OWNED BY ONE FAMILY (SELLER).
- THE CLIENT WAS THE CURRENT OPERATIONS MANAGER OF THE COMPANY (BUYER).
- AN INFORMAL VALUATION/OFFER HAD BEEN AGREED IN PRINCIPLE BETWEEN THE PARTIES FOR £1M.
- THE BUYER DID NOT HAVE ANY CASH TO PURCHASE THE COMPANY.

## TASKS COMPLETED

- VALIDATE THE £1M BUSINESS VALUATION AGREED BETWEEN THE PARTIES.
- FINANCIAL DUE DILIGENCE TO CONFIRM THE FINANCIAL HEALTH OF THE COMPANY.
- DEAL STRUCTURING
- FINANCING THE DEAL
- TAX PLANNING



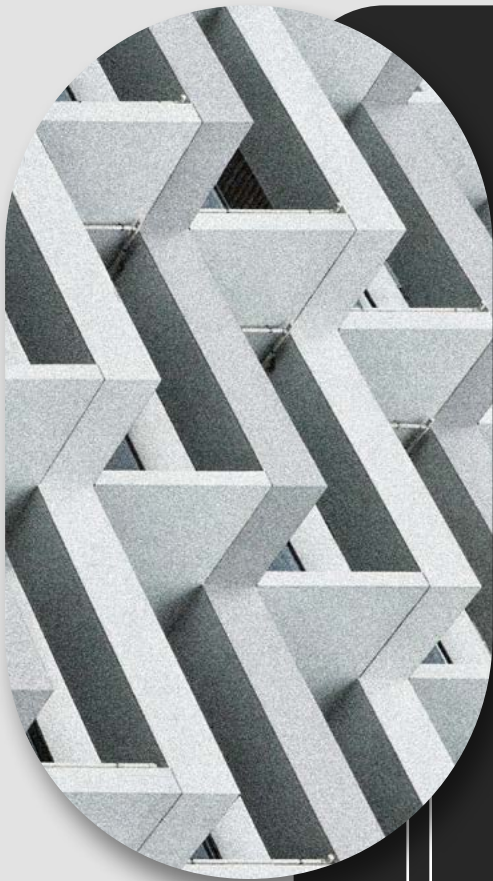
**AFTER PERFORMING A DETAILED FINANCIAL DUE DILIGENCE REVIEW OF THE COMPANY, WE WERE ABLE TO ESTABLISH THE FOLLOWING:**

## **VALUATION**

UPON REVIEW OF THE FINANCIAL INFORMATION, WE WERE ABLE TO CONFIRM THE COMPANY VALUATION STOOD AT CIRCA £1.2M. THROUGH OUR REVIEW WE IDENTIFIED SEVERAL EXPENSE ADJUSTMENTS REQUIRED IN RELATION TO EXPENDITURE INCURRED BY THE BUSINESS THAT WOULD NOT BE EXPECTED UNDER THE NEW OWNERSHIP. WE WERE THEREFORE ABLE TO CONFIRM THAT THE PRICE OF £1M AGREED BETWEEN THE PARTIES WAS A FAIR VALUATION FOR OUR CLIENT, THE BUYER.

## **FINANCIAL DUE DILLIGENCE**

THROUGH DETAILED SAMPLE TESTING ACROSS THE KEY FINANCIAL BUSINESS AREAS, WE WERE ABLE TO CONFIRM THE FINANCIAL HEALTH OF THE COMPANY, CONFIRMING IT'S ASSETS, LIABILITIES, REVENUE AND EXPENSES.



## DEAL STRUCTURE

OUR TASK WAS TO CREATE A DEAL STRUCTURE THAT PROVIDED THE SELLER WITH THE FUNDS THEY REQUIRED, WHILST ALSO PROVIDING THE BUYER WITH GUARANTEES OVER THE BUSINESS PERFORMANCE GOING FORWARD.

WE RECOMMENDED A DEFERRED CONSIDERATION MODEL FOR THE ACQUISITION METHOD, AS THIS PROVIDED ASSURANCES TO THE BUYER OVER THE COMPANY'S FUTURE PROFITABILITY THROUGH WARRANTIES.

THE SALES CONSIDERATION FOR THE COMPANY WAS PAYABLE AS FOLLOWS:

ON COMPLETION	200,000
END OF YEAR 1	200,000
END OF YEAR 2	200,000
END OF YEAR 3	200,000
END OF YEAR 4	200,000
TOTAL SALES CONSIDERATION	£1,000,000

THE DEFERRED CONSIDERATION WAS CONTINGENT BASED ON THE BUSINESS ACHIEVING A CERTAIN AGREED LEVEL OF PROFIT IN EACH YEAR.

IF PROFITS DROPPED BELOW THE AGREED LEVEL, THE BUSINESS VALUATION WOULD BE REVIEWED, FACTORING IN THE REVISED PROFIT LEVELS AND THE DEFERRED CONSIDERATION FOR THE REMAINING YEARS WOULD BE ADJUSTED ACCORDINGLY.

THIS PROVIDED THE BUYER WITH A MECHANISM TO ENSURE THEY WILL NOT OVERPAY FOR THE TRUE VALUE OF THE BUSINESS BASED ON ITS FUTURE VALUE OVER THE 5 YEAR CONTINGENCY PERIOD.

## FINANCE & TAX PLANNING

£200,000 WAS PAYABLE TO THE SELLER UPON COMPLETION, REQUIRED BY THE TERMS OF THE DEAL STRUCTURE. THE BUYER WAS NOT ABLE TO PERSONALLY FINANCE THE FIRST PAYMENT.

THE SOLUTION WE ADVISED WAS TO CREATE A HOLDING COMPANY. THIS WAS SET UP FOR THE BUYER WHO WOULD THEN PURCHASE THE SHARE CAPITAL OF THE TRADING COMPANY.

THE BENEFITS OF CREATING AND USING THE HOLDING COMPANY FOR THE PURCHASE NOT ONLY PROVIDED SOME ADDITIONAL FINANCING OPTIONS, BUT IT ALSO GAVE THE BUYER FLEXIBILITY AND OPTIONS IN RESPECT OF ANY POTENTIAL FUTURE SALE OF THE COMPANY.

THE ORIGINAL TRADING COMPANY BEING ACQUIRED HAD AN INVOICE FINANCE FACILITY IN PLACE, THAT WAS NOT BEING FULLY UTILISED. WE IDENTIFIED AN OPPORTUNITY TO DRAW DOWN ON THIS FACILITY TO MAKE AN INTER-COMPANY LOAN BACK TO THE NEW HOLDING COMPANY. THE NEW HOLDING COMPANY THEN USED THESE FUNDS TO PAY THE INITIAL CONSIDERATION OWED TO THE SELLER ON COMPLETION.

THROUGH CAREFUL PLANNING WE WERE ABLE TO CREATE A STRUCTURE AND MECHANISM FOR THE ACQUISITION THAT ALLOWED THE BUYER TO COMPLETE THE ACQUISITION WITHOUT HAVING TO USE PERSONAL FUNDS, IN A SECURE AND TAX-EFFICIENT WAY.



## CONCLUSION

THERE IS A HUGE MYTH IN THE MARKET THAT COMPANIES CANNOT BE PURCHASED WITHOUT USING ANY OF THE BUYER'S FUNDS. THESE SITUATIONS ARE DIFFICULT TO STRUCTURE, BUT THEY ARE 100% POSSIBLE. ALTHOUGH PLEASE NOTE, AS A BUYER YOU WOULD STILL NEED TO FUND ANY PROFESSIONAL COSTS. YOUR PROFESSIONAL TEAM THAT DELIVERS YOUR LEGAL WORK AND ANY DUE DILIGENCE WILL BE THE MOST VALUABLE ASSETS THROUGH AN ACQUISITION.

# Get in touch.

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