



Business finance update – July 2009

Welcome

Welcome to our business finance update. In this edition we feature opportunities provided by this year's Budget and how to take advantage of them. We also look at an interesting alternative to private investment and ways to ensure you get the best possible advice and how to maximise support from bankers effectively.

Budget 2009

Although there were few positive measures in this year's Budget from Alistair Darling, there were some key opportunities.

Capital Allowances

For one year only capital allowances of up to 40% for certain capital expenditure above the Annual Investment Allowance (100% up to £50k) permitted until 6 April 2010 mean that this year would be an extremely attractive time to purchase plant and equipment (particularly from distressed/failed businesses or competitors in administration) if clients are in a position to do so.

Capital Gains Tax (CGT)

CGT rates now compare relatively favourable in comparison to Income Tax. 18% CGT rates (or 10% tax with qualifying Entrepreneurs Relief) look increasingly attractive in the current climate for owners approaching retirement age or considering an exit. With most commentators (including the Institute of Fiscal Studies)

predicting markedly unfavourable Government growth, borrowing and spending forecasts, it is highly likely that any future Government will need to look at further public spending cuts and further tax rises.

With income tax already hiked in the last Budget, further obvious future revenue raises for the Government are now more likely to include CGT. It is also likely that there will be further VAT increases from Q4 2009.

Paul Bevan, Head of Corporate Finance at Tenon:

"It is obviously important for owners to balance tax planning against valuations that can be achieved in the current market. However, now may be the time for owners to consider a full or partial sale to realise value from their businesses. 'MBO' teams may also want to look to act now before possible further CGT rises are imposed and potentially make a buy out more difficult."

No nonsense guide – helping businesses to find finance

A new online guide has been launched to help Small and Medium sized Enterprises (SMEs) gain access to funding for growth and innovation.

The new guide, ‘The No-Nonsense Guide to Finance for High Growth and Innovative Businesses’, will act as a one stop resource for companies which want to know where and how they can access sources of funding available to support innovation. It is available free of charge on the Business Link website www.businesslink.gov.uk/eastmidlands/ning

This includes organisations like the Carbon Trust, which financially support firms working on technologies to cut carbon output, through to Regional Development

Agencies which roll out a range of funding schemes including Innovation Vouchers, or their equivalent, worth up to £10,000 to help small businesses purchase innovation support from sources of research expertise, including universities.

Berryman Corporate team acted on an investment worth £2m part funded by the Carbon Trust in 2008.

Nickie Bennett of Business Link:

“This online guide will be a very welcome resource for businesses in the region. In the current climate it is more important than ever that business people know where to go to get the right advice and the funding that they need.”

Alternative private investment

Many businesses are now seeking support and investment from ‘Business Angels’ who can help with the funding required to realise a fundamentally sound business plan or to expand or acquire a competitor. Many banks are also prepared to extend or maintain facilities to companies showing that they are actively planning for recovery or restructuring. Institutional funds and collective investment schemes are also a good source of investment finance and support for businesses.

Tom Mawhood of Turning Point:

“Turning Point has been founded by successful business entrepreneurs to back good propositions suffering temporary difficulties. We are aiming for a committed fund of £2m and already made offers of Business Support totalling over £400,000 since being formed earlier this year.”

Brian Rutter of Beer & Young:

“Beer & Young Ltd have been delivering business finance, turnaround finance and company rescue solutions to companies in the small and medium business sectors since 1998. 2009 is proving to be tough for businesses and entrepreneurs. However, funding is available for most businesses – even if you consider your situation to be difficult, we can help. We exclusively operate the largest network of private investors who are active in turnaround.”

Getting the best advice and working with your bankers

Banks are responding positively to businesses actively seeking the support of outside expertise, ‘corporate doctors’ and those demonstrating viable business planning.

As such many businesses are now realising the value of accumulated or ‘sub-contracted’ business expertise.

The business news is full of stories of companies such as Barrats, Yell.com, Cattles and even Gordon Ramsey’s restaurant group breaching their financial covenants, rescheduling debt and negotiating with their bankers during the current tough times.

Cash is certainly “king” and good financial control has never mattered more.

Berryman has experience of working with our clients and their financial advisers and accountants to agree:

- restructuring packages;
- debt for equity proposals;
- forward looking rescue plans.

Good advisers are key - and also essential for selling any refinance plans to your bankers.

Jon Pollett of the FD Centre

“We are keen to talk to companies who require focused and strategic advice in the current climate. Companies can contract a part time finance director via the FD Centre more cost effectively to provide the strategic board level financial advice that they require to see their businesses survive and thrive.”

Paul Lynam of HSBC:

“HSBC is one of the few leading banks still actively lending to its customers in contrast to many of our high street competitors. For those companies demonstrating that they have a well thought out plan for recovery and growth then we remain keen to support them.”

Leo McGee of Lloyds Banking Group:

“At Lloyds TSB we believe that businesses that plan for the long term will be the best placed to succeed. Critical to this is ensuring that directors receive the best possible advice, particularly around financial control, accounting and business planning. We’re committed to supporting firms through tough times, demonstrated by our 20 per cent increase in lending to businesses last year.”

Many thanks to our contributors:



Contact us

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