

Business Services  
Audit and other Assurance Services  
**Transaction Services**  
Rescue Recovery and Insolvency  
Financial Services



# Transaction Services

## Introduction

The business world and the entities within it undergo constant change.

Not all growth can be achieved organically, so it is natural that some businesses and individuals will want to sell and others will want to acquire.

The world of business transactions (sometimes referred to as Corporate Finance) is a fast paced, stressful and often mysterious environment. Our aim is to ensure you receive the best possible advice and that each transaction is processed quickly and efficiently.

Dealing in Management Buyouts (MBOs), Management Buyins (MBIs), Buyins/Management Buyouts (BIMBOs), Leveraged Acquisitions, Mezzanine Finance and other corporate finance buzz-words can be difficult for the uninitiated. We are ideally placed to offer value for money solutions to the private company sector.

During our most recent year-end we worked on eleven transactions with the deal size ranging from £200,000 to £19m.

## Our services

### Acquisition assistance

- Financial due diligence - is undertaken to reassure potential investors of a business' value and to highlight key risks where caution should be exercised.

Our financial due diligence reports provide an independent assessment of target businesses to identify both beneficial investment opportunities and areas of exposure.

The 'quantitative' factors we consider include a detailed review of the accounts with particular emphasis placed on the profitability of the revenue streams/significant costs, the financial projections/assumptions, tax implications, sensitivities, inter-group transactions, accounting policies applied, opportunities for cost savings, asset investment requirements, incumbent asset valuation and the potential to miss bank covenants.

The 'qualitative' factors include; key management/ employees' reviews, issues which need to be notified to the legal due diligence team, the accounts production processes and other internal systems, supplier relationships, marketing implications, standard of auditing, insurance cover, customer reliance, quality of customers and all contracts in place at the target business.

Our reports for lenders focus on the feasibility of debt servicing, as this is the critical factor for a bank. Our due diligence work is structured so that the client is constantly notified of development in the risk areas, so that deals can be reviewed and, if necessary, restructured at an early stage. Potential deal stoppers are always raised as early as possible.

We also aim to work as part of a team with our client and solicitors involved in the deal. Three way communication is constantly encouraged.

- **Preparatory due diligence** - if you are selling a business it can be beneficial to commission a report into its financial performance and position, before formal Due Diligence gets underway. This way any problems can be identified well in advance and the buyer is unable to take the 'upper hand' during price negotiations.
- **Working capital review** - with many acquisitions now highly geared, post acquisition working capital is an important area. We can review historic working capital trends, which together with an understanding of future changes to the business, allow us to advise on forthcoming funding requirements.
- **Transaction tax review** - there are significant impacts on taxation for all transactions including: corporation tax, capital gains, employee tax/national insurance and VAT. A report can identify hidden tax costs and assist in minimising future liabilities.
- **Recommendation of finances** - we are often asked to recommend a lender for existing and new clients. We aim to put these people in touch with lenders who will form a relationship with the borrower and understand their business and individual needs.
- **VCT/EIS qualification** - these two schemes offer significant tax advantages to investors. We can liaise with HM Revenue & Customs on your behalf and advise whether changes to a transaction will impact on this qualification.



- **Business plan review** - before detailed business or acquisition plans are made, we can review your ideas. This can help gauge whether the prospect is worth pursuing, before time and money is invested, for example, in preparing projections or contacting lenders. This service is offered to new start-ups, existing businesses and potential acquirers.

### Disposal assistance

- **Grooming for sale** - we can give you ideas about how to achieve the best price for your business. Much is to do with preparation and presentation - the approach taken depends on the timescales involved.
- **Transaction tax review** - as with business acquisitions, there are considerable issues to be aware of with a business disposal. Deals can be structured in a number of different ways, which have varying impacts on the seller's tax position. We aim to make these differences clear to our clients and to minimise their tax liability.

### Financial projection preparation

- **Preparation of integrated forecast models** - a projected profit and loss account, cashflow forecast and balance sheet are vital for transactional decision making. Whilst most entrepreneurs have a clear idea of their budgeted profitability, we can still assist in a number of areas.

Firstly, a review of anticipated revenue and costs included in projected profit forecast can help assure the client of their validity. Secondly, a cash flow forecast is also necessary to ensure that the business is 'liquid' as well as profitable. Finally, we can also project the balance sheet, which is a good guide of the company's position in the years ahead.

- **Sensitivity analysis** - a review of sensitivities is vital in understanding the impact of key changes to the projections. We will help you identify the key sensitivities and calculate the impact of changes - for example the effect on profit of a reduction in sales or margins.

### Internal business appraisal/financing reports

What is the state of your business and its finances? We undertake business reviews, which can be as detailed as you decide. This includes areas such as the consideration of margins and profitability, working capital requirements, financing and so on. These reports may result in recommendations of company refinancing, business disposal, and much more.



### Business valuations

- **Preparation of valuation models** - our team is experienced in applying various models to businesses in order to give a reasonable valuation. These techniques include the asset, earnings and discounted cash flow models.

Valuations can be made on individual companies, entire groups or individual departments/sectors. Our reports include a full explanation of how the valuations are calculated.

- **Review of valuations prepared by other parties** - in the course of acquisition negotiations, it is common that our clients need to evaluate valuations prepared by other professional advisers. We can provide a simple overview or a comprehensive critique of other valuation models.

### Other services

- **Employee incentive and/or tax minimisation share schemes** - we can advise on ways to encourage employee participation in your business and improve motivation, as well as ensuring the business does not fall into tax traps. These schemes can be very beneficial but are, at the same time, very complicated. We aim to simplify these schemes for you and your staff.
- **Preliminary business appraisal reports** - these can be used to identify risk areas on which to base financial/commercial due diligence.
- **Pre-lending review** - these are aimed at banks, who can use our reports to make a preliminary review of funding prospects without wasting too much time and resources.

# Transaction Services

## Who uses us?

- **Acquisitive companies**

We regularly act for expanding groups, providing bespoke reports on a variety of areas. We typically work alongside a Finance Director but can also report directly to the main board.

- **Individual investors**

We act for 'business angels' and other private equity investors on transactions. We allow investors peace of mind by offering a risk based tailored approach to each project, which looks at as much or as little as the client would like.

- **Venture capital and similar funds**

SME's now have increased access to private equity funds, and we are an ideal size to provide comfort to investment committees at a competitive price. We are able to look at prospective acquisitions both at an early stage (i.e. before all terms have been agreed) or during the typical Due Diligence period. We work closely with investment executives and will present to the committee if required.

- **Banks and other finance lenders**

We are regularly commissioned by lenders to prepare reports for a range of transactions, including lending on MBOs, invoice discounting feasibility and asset finance possibilities.

- **Growing independent/family companies**

Most successful companies lack a clear exit route/ succession strategy, whereby some or all of the owners can realise their shareholding. We are experienced in advising on such circumstances and can offer a variety of solutions, including selling to management, using a Trust, obtaining loan finance, the role of venture capital and much more.

We also regularly value independent companies as part of the exit route planning process, or prior to new investment in the business.

## Transaction Services team



Top left: Gary Farnes, Mike Joy, Paul Maberly, David Mansell, Andy Crook  
Bottom left: Howard Wilkinson, Julian Dobbin, Cathy Corns, Paul Webster

## Why choose us?

Each transaction is undertaken by an experienced partner, a dedicated transaction services director and specialist tax expert. Our constant attention to your transaction will ensure that the process is as simple and stress free as possible.

We guarantee to provide continual communication on our progress, which allows you to worry less about financial matters and concentrate on other areas of the business. Our approach to transaction services intends to be unobtrusive to the target, yet extremely thorough.

We have a very good relationship with a number of banks and our personal service ensures that we are only a phone call away. We will maintain continual communication with your legal advisers and prospective lenders.

For less experienced clients involved in corporate finance deals, we aim to tailor our approach to their needs. This more 'involved and informative' service for certain clients provides more comfort and assistance.

Through our international accounting network, The International Accounting Group (TIAG), we have access to like minded professionals involved in transactions all over the world.

If you would like to discuss our Transaction Services further, we would be delighted to assist.



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