



## Lifting the mystique on corporate finance

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Cloaked in a mystique of phrases such as leverage buyout, mezzanine finance, dealmakers and acronyms like MBI's, MBO's, and BIMBO's you can be forgiven for thinking that corporate finance is not for you. More so, when the value of 'deals' can be in tens of millions of pounds.

Perhaps more consideration should be given to the role of corporate finance, regardless of size and structure. Not to be confused with solely raising money for the purpose of achieving a business objective, the principle of corporate finance is more about the use of a business transaction aimed at selling, buying, or developing a business in accordance with the stakeholders or entrepreneurs objectives.

Corporate finance 'deals' do appear to be on the increase, particularly amongst privately owned and family businesses, where succession planning has become an issue. Rather than pass the business on to a family member a sale may be preferred or the only option. With the need to remain competitive, the purchase of a competitor or linked business may provide for an edge, growth and increased profit. The sale of part of the business may help you divest a non core activity or even loss making divisions.

It is not unreasonable to surmise that few having built a business over the years or set to attain a business objective based on a skill, specialist knowledge, product or service, will know how to set about doing a 'deal'. Whilst initially you will need to decide what you want to achieve and what your objectives are, this task can be made a lot less painful by involving a chartered accountant. Why? Because firstly they understand your business, warts and all. Secondly over a period of time you are likely to build up a level of trust and understanding with them and they with you.

By taking time out, collectively you should, be able to consider longer-term plans for the business, over and above the annual review of the accounts. The process should involve medium to longer term planning for a three to five year period.

On setting your goals together you can then start to consider the options for the way forward. If you are looking to sell, then your accountant will be able to advise on the structure for the sale of your business, optimising valuation and minimising any tax liability. He may be able to identify prospective buyers certainly he will be able to help and support you in any negotiations.

If you are in a more acquisitive frame of mind, then your accountant's involvement will include assessing the value and commerciality of a prospective purchase. Once assessed, assistance will cover due diligence, verification and validation as to what is being purchased. Whilst typically, funding is in the main from own funds, many investors may still require external finance. Your accountant will be able to advise, through assistance with financial planning, as to the funding options available. He will be able to help you through the maze, from commercial bank borrowing, to asset backed finance, loan versus overdraft, stock finance, to equity, to name but a few.

Whether you are contemplating a sale, or otherwise, the practice of running your business to do so, invariably optimises returns. The approach lends to create a leaner and meaner organisation, enhancing profits and earning potential. Your accountant should undoubtedly play a key role, in any event.

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