

Selling your business in next 3 years?

Some things to start getting in place from **TODAY**:

Accounts	<i>Your financial information systems and underlying records need to be right up to date (daily) and accurate - compliant with all legal requirements and auditable.</i>	
Business processes	<i>Whilst always striving to improve efficiency and effectiveness, every critical business process should be analysed and recorded. It is important to be able to pass on "how" you operate.</i>	
Security	<i>Review and tighten all aspects of security. Computer systems pose a potential gateway through which vital commercial information may be lost or accessed. Have the internal systems reviewed with this in mind. Among the areas of sensitivity might be: user access, password controls, online connections, unauthorised or licensed software, wi-fi access and backup procedures.</i>	
Customers, contacts and relationships	<i>Who you know and your relationship with them is a valuable asset of the business. Don't let this be "stolen" from you – have a secure and comprehensive Customer/contact Relationship System (CRM) and make sure it is up to date.</i>	
Customer sale and service contracts	<i>Review all material contracts to ensure that they are up to date and schedule re-negotiation dates where they expire. It may be worthwhile to have your terms and conditions and standard contracts reviewed so that future transactions are completed on terms that are compatible with a possible change of ownership. Get the best legal support when renegotiating or entering into new contracts.</i>	
Brand development	<i>Pay close attention to the appropriate and consistent use of your brand "collateral". Brand is, of course, much more than logos and trademarks. Aim to be known widely in your business field and (if important) geographically.</i>	
Regulatory compliance	<i>There is a raft of rules that impact upon businesses - from Health & Safety to VAT. Draw up a list and plan to have every aspect audited and recorded in the next year or so.</i>	
Employees	<i>Ensure that contracts and regulatory provisions are all up to date. Contracts should stress the requirement for appropriate confidentiality. Personnel records should be maintained diligently and performance reviews recorded. If there are "weak links" now is the time to address continuing employment.</i>	

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Intellectual property (IP)	<i>Ensure that rights to inventions and other IP are fully owned by the business. Review whether any employee or contractor might have a claim to any IP. (In general, IP created by employees is automatically owned by the business but IP created by contractors is not.)</i>	
Web property	<i>Review the ownership of all web assets including URLs and the security procedures such as the backing up of your sites.</i>	
Property leases	<i>Ensure that the terms of all leases are being scrupulously observed and review them in the light of a prospective sale.</i>	
Taxation	<i>Explain your business sale ambitions and all related relevant objectives (such as retirement, succession, new business etc.) to you tax planning adviser. Your adviser will require some detailed information and may identify possible tax saving ideas.</i>	
Longer term commitments	<i>Ensure, so far as practicable, that you do not enter into any longer term obligations which might not be required by a future purchaser of the business.</i>	
Make profit	<i>Be as successful as you can be in these last years of your tenure of the business – the selling price almost certainly will be geared to the profitability in the near past and the potential for the near future.</i>	
Other shareholders	<i>Make sure that you discuss a potential sale and your intentions with all other shareholders in order to agree a disposal strategy between you at an early stage. Legal advice and guidance is helpful on this front.</i>	

Preparation will reduce the amount of questions arising from “due diligence” (checking) to be done by prospective purchaser and ensure that you can demonstrate easily the accuracy of all the information they will require in order to make their own assessment of value.

And as a by-product this exercise will almost certainly improve the efficiency and effectiveness of your business.

For a discussion on all aspects of preparing for a sale please contact me.

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