

# Corporate Finance

## Background and Issue

The Armstrong Watson Corporate Finance team works closely with the legal sector on a wide range of transactions. Working hand in hand with solicitors, our team has the expertise and commercial acumen to ensure our mutual clients receive the right support and advice throughout their business life cycle.

Our breadth and depth of experience includes:

- Raising funding from initial start up capital, to renegotiating finance with funders and raising new expansion capital often linked to a transaction
- Restructuring
- Mergers and acquisitions, management buy-outs and buy-ins, partial exits and joint ventures
- Devising and implementation of plans to achieve resolution of shareholder disputes
- Financial due diligence
- Business valuations
- Forensic accounting and expert witness services

A key part of our role is to take ownership of a project, working together with the legal advisors, to make sure that the client's objectives are met.

## Case Study

### Why the solicitor sought to work with us on their client/why we needed to interact with a solicitor on our client

The Armstrong Watson Corporate Finance team was recommended by a firm of corporate solicitors to help plan and facilitate the sale of a corporate client in the I.T. sector to an overseas based multinational.

The engagement involved a number of issues where the Armstrong Watson Corporate Finance and Tax teams worked closely with the Legal advisors to achieve the best outcome for our mutual client:

### What we did for the client

#### Pre sale planning

- Restructuring of the company's existing shareholdings and buyback of minority shareholders
- Issuing share options to key employees
- Review of customer contracts
- Review of the status of the company's intellectual property

#### The transaction:

Working closely continued once a buyer had been found. The transaction involved:

- Negotiation of a consultancy agreement between one of the vendors and the purchaser

- Structuring of the earn out consideration linked to the post completion performance of the business

## Result

Regular communication between Armstrong Watson and the solicitors was key to ensuring all issues were covered and that the process was managed efficiently.

Our approach is to work with the solicitors as one team so that the client sees a joined up group of advisors playing to their respective strengths and areas of expertise in order to achieve a common goal.

# Armstrong Watson Financial Planning

## Case Study

### Background and Issue

Our clients were already trustees of an existing trust created during the settlors lifetime for Inheritance tax purposes. This existing trust had been in existence for more than 7 years and the beneficiaries of the trust were all expecting a legacy as a result of the sale of farm assets, which would qualify for Agricultural Property Relief ("APR") due to the death of the settlor. The settlor had died 12 months earlier thus enabling the deed of variation route to be considered.

The objectives of holding farm assets until death is that IHT relief can be claimed by the executors to save 40% tax on the entire estate. As the four beneficiaries were not keeping the farm as a going concern, the capital received as a result of the sale of the farm would then be brought into their own estates, subjecting the capital to IHT due to their total personal assets exceeding £325,000 and also £650,000 for the married couples.

The family wanted to retain control of the capital, while making immediate IHT savings. The original trust was also considered, with a view to ensuring further IHT savings, and the original trust deed was reviewed and trustees/beneficiaries reassessed.

### Why the solicitor sought to work with us/Why we needed to interact with a solicitor on our client

We originally identified that our clients had inherited funds, and were expecting the proceeds of the sale of the farm, however, by understanding the circumstances of the individual beneficiaries, we were able to ascertain that all four beneficiaries would benefit from a deed of variation into a discretionary trust, to ensure that the funds did not form part of their estates for IHT purposes.

- The single beneficiary was to inherit £500,000. This would immediately be subject to IHT, as their net worth was already valued over £325,000. They had also not made any will provisions.
- The divorced beneficiary was to inherit £500,000. This would also be subject to IHT immediately, again as the net worth was valued at over £325,000; it was important to the beneficiary that their children would have some protection in place to avoid future marital disputes and claims on their estate.
- The married beneficiaries also inherited £500,000 each. They had various needs and business assets, and they wanted to avoid any capital being paid into their estates due to the complex nature of their circumstances.

In all cases, should the estate have been distributed equally in line with the will provisions, the capital would have been subject to IHT at 40%, being £800,000. This would have undone the previous planning of the parents, who had worked the farm as a going concern to ensure the APR relief at 100% was claimable from the HMRC.

### What we did for the client

We arranged bespoke deed of variations into discretionary trusts tailored for each beneficiary, as they all had differing objectives, guided by the same principles of saving IHT and still retaining full access to their capital if required.

We arranged new wills to ensure that their assets would also be aligned to the plans arranged, and would complement their long term objectives.

We provided advice as to how to invest the trust capital for the long term, and enabled the beneficiaries to become trustees of their own trust capital. We worked with the solicitor to draw up an expression of wishes, to guide the additional trustees and executors as to how to treat the trust capital.

We reviewed the original trust, and appointed new younger trustees to ensure the deed originally drawn would allow greater perpetuity. The investment bond held within the trust was amended to provide income from the trust to the default beneficiaries, as no drawings had ever taken place since inception.

## **Result**

By using a combination of discretionary trusts created by a deed of variation; suitable trustee investments; revised will provisions, we were able to save the next generation at least £800,000 IHT, thus tying in with the original intention of the settlor/deceased.

The existing investment bond was also held in a flexible trust, and the clients were advised to retain the capital in the trust, against their original instincts to draw out of the trust and distribute immediately. Instead, the investment was used to generate income, and save on exposing the capital to further IHT and re-investment costs. This saved a further £100,000 by taking into account their existing holdings alongside the inheritance.

The solicitor we worked with helped to create bespoke trusts for each differing family member and also reviewed and put in place where necessary new wills to cater for their change in circumstances.

The solicitor worked with our tax consultant and financial consultant to create a deed of variation into a discretionary trust, and save immediately the potential IHT on the estate. This was originally planned by the parents who held the farm assets until death.

## **Other areas in which we can help**

### **The issue**

Individuals who have large or complicated estates and as a result, likely to be inheritance tax consequences on early death for the remaining spouse and children left behind,

### **What we do**

Having an in-depth and close relationship with clients and knowledge of their financial affairs allows our Financial Planning Consultants the opportunity to be able to identify early scenarios where the use of a deed of variation or alternative trust arrangement could be used effectively.

### **We need to interact with a solicitor**

Where a legal practitioner is not involved we make a referral to a trusted solicitor.

### **The result**

Planning with these types of arrangements can be extremely effective for those left behind with the right type of advice and using appropriate pensions, investments and protection solutions can be with significant effect in order to protect and provide for the family. In many cases resulting in substantial tax savings.

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## **The Issue**

Clients who have no dependents but substantial wealth built up may also have very specific intentions as to how they spend their accumulated wealth during their lifetime but also what happens to the remainder of it when they come to pass away.

## **What we did**

As an example, one particular client had made the necessary arrangements with his Financial Planning Consultant to protect the anticipated IHT liability through the arrangement of a whole of life protection policy but had no real desire to have his remaining estate overly taxed or left to those who he felt had no good cause or deserved to benefit. Instead he wished to pursue his passion of the arts and help support young people in the community and their creativity whilst also improving their education and lifestyle.

## **Why we interacted with a solicitor**

A referral to a local solicitor meant that they were able to draw up a specific charitable trust arrangement

## **The result**

We enabled the client to invest his own money and which could be used to help and support those in need not only during his lifetime, but also from beyond the grave.

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## **The background**

When the rules changed in 2015 around how ISAs are treated on death allowing the tax wrapper to effectively remain and be transferred to a spouse or civil partner, this created a significant tax advantage for many investors.

## **The issue**

Legislation in Financial Services changes frequently.

## **Why we need to interact with a solicitor**

Legal practitioners without the licence to provide regulated financial advice have been able to refer clients to our Financial Planning Consultants in order to ensure that the spouse rightly benefits from the change in rules in a seamless manner and have the confidence that the estate affairs are managed and constructed as they should be.

## **What we do**

Our Financial Planning Consultants can ensure that the spouse rightly benefits from the change in rules in a seamless manner and have the confidence that the estate affairs are managed and constructed as they should be.

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### **The background**

Pension rules on death for many have now created a significant shift in views of estate planning and taxation advantages around pension planning since a change of legislation was introduced back in 2015.

### **The issue**

Clients with existing drawdown arrangements now benefit from the removal of the 55% tax charge which previously applied on death benefitting the estates and planning opportunities for discussions of many clients.

### **Why we need to interact with a solicitor**

### **The result**

Additionally, any individual with significant pension accumulation, or the willingness to now arrange, can also pass their pension wealth down through their generations allowing anyone they wish to nominate the ability to benefit

# Tax

The Armstrong Watson tax team works closely with solicitors in a wide variety of personal/private client matters and also in a large number of corporate matters.

## Buying and Selling Companies

### **Background and Issue**

We work alongside solicitors in respect of company sales and purchases including the review of all relevant legal documents in relation to taxation, and tax advice on the structure of the transaction.

In respect of asset purchases and sales we provide advice on the most appropriate split of the consideration and advise on issues such as capital allowances and VAT.

### **What we did for the client**

Recent transactions include advising on the purchase of filling station sites for a client and working alongside solicitors to advise a client of theirs in respect of the most tax beneficial way to raise finance.

## Corporate Reconstructions

### **Background and Issue**

Often a company or group of companies wish to split or "demerge" for commercial, tax or family reasons.

We can offer all the relevant tax advice with regard to such transactions including advising on the most appropriate "demerger" method and obtaining the relevant clearances.

We work alongside solicitors in relation to such transactions such that the solicitor can deal with all the relevant legal issues and documentation to facilitate the split.

### **What we did for the client**

In recent times we have worked collaboratively on demergers to separate investment and trade activities and to allow family owned businesses to be split to allow different family members to drive different parts of the business.

## IHT Planning

### **Background and Issue**

Recently the Government announced the introduction of the residence nil rate band from April 2017. This has led to many clients reviewing their IHT position. One particular area of concern is the interaction of Business Property relief and this relief as it is restricted when the estate exceeds two million.

We have worked closely with a number of solicitor contacts to raise awareness of this issue.

## Partnership Reconstructions

### **Background and Issue**

As businesses grow they need to keep their structure under review to ensure that it matches their needs and is tax efficient. We have worked closely with solicitors to ensure that transfers are carried out properly using business transfer agreement etc.

We also have a large number of partnerships who need advice on retirements and appointment of partners. This has led to joint work on Deeds and agreements to ensure that the partnership is correctly documented.



# Forensic Accounting & Litigation Support

(Matthew Geale to write general intro to Service Line???)

## Case Study 1

### Background and Issue

**Business/Share Valuations for Matrimonial cases** – Armstrong Watson receive numerous instructions on a regular basis to carry out a Valuation of the business interests and/or shareholdings of one of the separated parties in order to present information as part of court proceedings or simply to assist the instructing Solicitors in reaching an agreement between the separated parties so as to reach an overall financial settlement.

### Why Solicitors seek to work with us

Armstrong Watson are recognised as a Firm with strong specialist skills in this area, working over a wide range of sectors with particular reference to Family Businesses. We also have easy access to other specialist colleagues across all of our service lines, when more detailed input is necessary on each case.

### What we did

This can involve the Valuation of a number of different businesses or simply a shareholding in a larger business. Typically this will involve a collation of relevant information, and a Valuation report which can be presented to Court as necessary. Our Experts have experience of attending Court to provide evidence as required.

### The Result

We are respected by instructing Solicitors for giving a fair and balanced view within our Valuations, and our Reports help achieve settlement, with matters rarely reaching Court.

## Case Study 2

### Background and Issue

**Business/Share Valuations for Estate confirmation cases** – We are also instructed regularly where a business, or shares in a Company need to be valued for estate confirmation purposes, and for appropriate distribution of assets to beneficiaries.

### Why Solicitors seek to work with us

As with Case Study 1, we are recognised as taking a pragmatic approach and achieve agreement promptly with HM Revenue & Customs and other stakeholders as a result.

## What we did

This can involve the Valuation of a number of different businesses or simply a shareholding in a larger business. Typically this will involve a collation of relevant information, and a Valuation report which can be presented to HM Revenue & Customs or for beneficiaries who are taking over specific business assets .

## The Result

We are respected by instructing Solicitors for giving a fair and balanced view within our Valuations, and our Reports help achieve prompt agreement with HM Revenue & Customs and can give valuable assistance to Solicitors in allocating Assets to beneficiaries in the process of winding up Estates.

## Case Study 3

### Background and Issue

**Fraud Investigations-** We receive numerous instructions to investigate an organisation where fraud has been discovered or is suspected.

### Why Solicitors seek to work with us

We demonstrate our skills in collating evidence and reporting clearly on quantum to assist in either Civil recovery action from the perpetrator or with supporting Criminal prosecutions.

## What we did

A recent example being when Armstrong Watson was instructed in a case where the treasurer of a Not for Profit organisation was suspected of fraud. An investigation was carried out and detailed evidence was uncovered of fraud. This consisted of principally of unauthorised cash withdrawals and Business credit card transactions which could not be reconciled to bona fide business expenditure. Our Report presented appropriate evidence and quantum of loss to the organisation.

## The Result

Our Report and evidence not only led to the prosecution of the individual concerned, but assisted in the full recovery of the stolen funds.

## Case Study 4

### Background and Issue

**Share Purchase Agreement Disputes –** We are instructed in a number of such cases, typically following disputes over aspects of the purchase or sale of a business, or where minority shareholder interests are being prejudiced.

### Why Solicitors seek to work with us

We are recognised as having a very strong offering across our Forensic Accounting, Corporate Finance and Restructuring, Recovery & Insolvency service lines, meaning that truly Expert input is available for any eventuality.

## What we did

One example being a disputed interpretation of the Clause of the Share Purchase Agreement dealing specifically with the additional consideration due on finalisation of the Completion Accounts. We carried out an investigation into the disputed points and gave expert opinion on the correct technical interpretation.

## The Result

By giving clear opinion we were able to persuade and influence the respective Advisers, leading to agreement between the parties.

## Case Study 5

### Background and Issue

**Shareholder Disputes** – We are often instructed where there is no Shareholder Agreement in place, so as to assist in achieving appropriate resolution or settlement.

### Why Solicitors seek to work with us

We are recognised as having a very strong offering across our Forensic Accounting, Corporate Finance and Restructuring, Recovery & Insolvency service lines, meaning that truly Expert input is available for any eventuality.

## What we did

We are working on a current case where a Company is being wound up at the insistence of the majority shareholder, however the minority shareholder is in disagreement on the value of his shares. We are assisting with a Forensic Accounting investigation into a variety of matters including excessive Management Charges, inflated Sub contract charges and other irregularities over a number of years which appear to have suppressed value in the Company. Our Report will be used in evidence to negotiate a settlement or potentially for production as part of court proceedings.

## The Result

The parties have now come to a satisfactory settlement after reviewing the contents and recommendations in our report.

## Case Study 6

### Background and Issue

**Loss of earnings Claims**- We are regularly instructed by Personal Injury Lawyers and other Lawyers who refer similar claims where financial input is required.

## Why Solicitors seek to work with us

There is typically a financial analysis required in assessing the quantum of such claims and we are recognised for our skills in this area.

## What we did

We are instructed regularly to give expert opinion on the calculation of Loss of earnings across a range of business situations. This can be for business interruption claims where there has been a fire or flooding, or for illness on personal injury situations where a key employee or business owner has been absent from the Business. A detailed review of the historic and current accounting periods is often required to establish what confirmed loss would be.

## The Result

Typically, we will present a logical, fair and balance view of loss of earnings, supported by clear evidence and argument, thus assisting our legal connections to settle cases promptly and for the optimum benefit of their clients.