

# Appetite

*by Chantrey Vellacott DFK*



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Published in 2005 and distributed  
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*prologue*

T H A T   S P E C I A L   C H A R A C T E R I S T I C

*'Now why didn't I think of that?'* Among the most successful growing businesses there is usually to be found something that makes outsiders wonder why they failed to think of it themselves. The quality that elicits admiration may be just the simplicity of the idea; or it may be the sheer energy that lies behind the complex set of interactions that bring about a very profitable outcome.

There is also usually something special about the people behind successful growing businesses. They tend to be single-minded, tenacious, plucky individuals...

## A B I G G E R P I C T U R E

For three years now Russell has been a successful video game developer. His games are more sophisticated than many and appeal to the slightly older generation of thirty-something gamers. Russell knows that the market is hotting-up. There is more competition out there and time is running out. He has to develop a new series if his business is going to survive.



Actually Russell has one or two other problems. Yes, his business can't stand still. He has to develop more video-gaming products and this will mean taking on more developers. If this doesn't appeal he could buy out another business which would give him a much greater market share and access to more talent. The speed at which his market is growing means that he also needs to think about the next stage in his company's development. He could look for a buyer and pocket a tidy sum. Or he could decide that he has the appetite to float on one of the markets.

We are here to help him decide. We can make sure that he gets his business into the right shape and finds the right people, systems and finance to enable him to realise his ambitions. We'll advise him about share option schemes which would enable him to give his employees a stake in the business, tax-efficiently. We'll make sure he takes maximum advantage of Government tax incentives which are available to growing businesses like his. Whatever route he chooses he'll need funding so we'll also prepare the necessary forecasts and statements that he'll need to give to potential lenders, and we'll advise him on how best to structure any joint venture agreement. And we'll also help him manage personal and corporate tax liabilities, both now and in the future.

## D I L E M M A

After 20 years of hard work Kavit now has a number of companies under his belt. Kavit is a plastics manufacturer and has made four successful acquisitions of similar businesses across the UK. He has also acquired a reputation for producing high quality products and delivering excellent customer service. Revenues have grown year on year but his costs have also grown and last year for the first time his profits were down. The answer is undoubtedly to consolidate his operations on to one site, but the worry is that in doing so he will lose some of his best staff.



No one likes change. It makes everyone feel uncomfortable from those at the top right down the line to the people near the bottom. And it is fraught with risk. If Kavit is not careful in how he manages and communicates with his colleagues, staff, customers and suppliers he could find himself in difficulty. We can help him through this period of change, identify the options available and evaluate the risks and benefits, both financial and human.

We can help him with the concrete things: restructuring his group of companies (as it may be that he is paying too much tax and a simple reorganisation could save him a good deal of money). Through our network of contacts we can introduce him to local property agents and advise him on ways of remunerating, retaining and motivating his staff. Although he may be keen to keep his UK manufacturing base it could be worth looking at the cost of outsourcing his operation overseas. Through our colleagues in DFK International we can help find out the costs and even introduce him to potential suppliers.

And as his new business takes shape we would always be alongside ready to act as a sounding board.

## C H A N G I N G   H A N D S

Joseph and his family have been running *Ackroyds* for three generations. During his time at the helm the business has not only survived three recessions, crippling rises in oil prices, difficult planning inquiries and any number of staff shortages, but it has increased its product lines and widened its markets. It is now one of the largest horticultural businesses in the country. After forty years it is now time to hand over the reins. Joseph had hoped that one of his sons would be interested but alas, they are more attracted to a life in the City. What is he to do?



We help numbers of family-owned businesses just like Joseph's. It's a tough decision to take but we've been there with other clients. We can help Joseph to review and evaluate the alternatives, and to devise a strategy. Where there are family members ready to take over the reins they may need the help of a non-executive director or two who have the necessary expertise to manage the succession and can provide the skills that the company will need in the short term. And where there are no interested family members, the options may include a management buy-out, a trade sale or even a flotation.

Whatever Joseph decides, we will also help him to manage his own future. We'll sort out any capital gains tax or inheritance tax issues. We'll help him plan his pension. And if he doesn't want to retire outright we'll help him sort out a new role as a consultant to the business.

## FRUITFUL THINKING

Monica was recovering at home from a bout of flu when she first had her idea. She was lying on the sofa flicking through the diet of children’s television programmes in an effort to distract herself. She wondered how much advertising revenue the ‘*Dog’s Day Out*’ attracted. Probably not that much. But the story was universal and so simple that it could easily travel the world and just be localised with a simple voice-over. However, what really got her mind racing was the possibility of potential riches from merchandising.



If Monica really wants her idea to fly, she’ll have her work cut out. She’ll need creative ideas and contacts aplenty. She’ll also need the best advice she can buy and she’ll need it early in the life of her venture.

We’ll help her to put together a business plan, find the finance she needs (using tax incentives where we can) and structure her operations according to her longer term aims and markets. We’ll also help with her personal tax planning so that the fruits of her labours don’t all go in tax.

We are also part of DFK International, a worldwide association of independent accountants and business advisers. So where overseas markets are involved we work with our DFK colleagues to design the right international strategy and minimise the impact that local tax and governance regulations will have on your business.

## B O R D E R   C R O S S I N G S

Victor was delighted at the prospect of coming to live in the UK. His company already had a number of distributors selling and supporting its software products and the growing European customer base justified a new branch office. There was an enormous amount to do before he arrived but in the meantime he was going to argue the case for bringing over his key people.



Through our colleagues in DFK International, we have helped many companies from all over the world establish a foothold in the UK. First off we advise them on how best to structure their operations (whether it should be a subsidiary or a branch office), and give them some more general advice about doing business in the UK. We'll also take them through the complexities of the UK accounting and reporting requirements, customs duties, VAT issues and regulatory compliance matters.

A typical client team includes two partners, one of which is an international tax specialist. One of our tax consultants could help structure the salary packages of any seconded employees as well as any UK new recruits. Our accounting, tax and IT specialists will also be able to advise on and assist with all aspects of cross-border accounting, payroll, inter-company pricing, import duties and VAT on sales into and out of the UK and Europe. We would also be able to introduce Victor to property professionals who could help him find the premises that he will need.

## B R A N C H I N G   O U T

Sofia and David first met when they were both studying design nearly twenty years ago. Together they built up a thriving furniture-making business. It had been a slow start but their distinctive range of furniture could now be found in the more upmarket home furnishing stores in London, New York, Cape Town and Sydney.

Now they want to embark on a slightly different venture. They are about to make a move into the cheaper end of the market with some simple, flat-pack designs. The products will only be available over the internet. The difference between their products and others already on the market will, they hope, be the ease with which their products can be assembled.



Sofia and David will soon realise that there simply aren't enough hours in the day. They'll have to expand their workshop team and it may be a good idea to take on a director with the necessary IT marketing skills. Their existing business is profitable but they will still need to find more money. And anyway they would be best advised to keep the new venture completely separate from their existing business. They may also need to find new premises. Without a good business plan, the new venture could end up taking up a disproportionate amount of management time and damaging the existing business.

We can provide them with a small team of business advisers who can help them to write the business plan, decide on the budgetary controls and give them all the corporate finance, tax and IT skills they need. Our advisers can help them put in place the systems necessary to monitor and control the new business. And as their workforce grows we can advise them on executive incentive schemes, share options, capital gains and inheritance tax. And if they decide that in the longer term they are interested in going to the market, we can help them prepare for a successful flotation.

*epilogue*

A S E L E C T B U N C H

People like Russell, Kavit, Joseph, Monica, Victor, Sofia and David are rare birds. They are undoubtedly clever, but intellect alone will not be enough to ensure their success. Whether they shine at long-division or are formidable scholars is less important than their skill at reading their markets, judging personalities and staying the course. The ability to recognise cleverness in others may be as important as to be clever themselves.

If you and your business have what it takes, we'd like to meet you. And then you can decide whether you think we have what it takes.

Contact any of our offices to arrange a first, no obligation meeting.



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