

Client Name

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Report of  
Richard Stonier BSc (Econ) FCA ATT (Fellow) MAE  
dated  
[ ]

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**Specialist Field:** Business Valuation  
**Assisted By:** [ ]  
**On Behalf Of:** [Party Appointed Instruction] / [Joint Instruction]  
**Prepared For:** Family Court at [ ]  
**On Instructions Of:** [ ]  
**Subject Matter:** [ ]  
**Case No:** [ ]

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## 1. Introduction

### 1.1 Formal Details

1.1.1 My name is Richard Stonier. I am a partner in a firm of Chartered Accountants called Deans. Deans is a full provision firm regulated by the Institute of Chartered Accountants in England and Wales (ICAEW). The address of Deans is Gibson House, Hurricane Court, Hurricane Close, Stafford, ST16 1GZ. My firm is a member of the Network of Independent Forensic Accountants ('NIFA').

1.1.2 I am a general practice partner and oversee all of the services offered by the firm. I have a number of specialisms including forensic accounting and business valuations.

1.1.3 I report as a [Party Appointed] / [Single Joint] Expert Witness and not a witness of fact. Although this report is prepared for instructing solicitors and Counsel, my overriding duty is to express an honest and unbiased opinion to assist the court. I have prepared this report as if instructed by the court as more fully set out in the declarations at the end of this report.

1.1.4 I have been instructed to issue a report as a [Party Appointed] / [Single Joint] Expert by:

Table – 1.1

Acting for Mr [ ] [ ]	Acting for Mrs [ ] [ ]
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1.1.5 The issues pertaining to this litigation fall well within my professional experience and are such that I am qualified to give an expert opinion on them. A summary of my curriculum vitae is enclosed at Appendix – 1.

### 1.2 Synopsis

1.2.1 The case number [ ] relates to the divorce and associated financial proceedings of Mr [ ] and Mrs [ ].

### 1.3 Instructions

1.3.1 To prepare a report as a [party appointed] / [single joint] expert on the following issues:

- [ ]
- [ ]
- [ ]

1.3.2 My work does not constitute an audit performed in accordance with Auditing Standards. Specifically, I have not been instructed to perform any verification work to substantiate the figures used in this report which have been provided by [ ]. The conclusions drawn in this report are therefore reliant upon the completeness and accuracy of information provided to me.

1.3.3 Should further information become available, I reserve the right to modify my opinions where necessary and acknowledge that I have a duty to do so.

1.3.4 In preparing this report I have relied upon representations made to me by [ ] in a meeting on [ ]. My understanding is that these representations have been or will in due course be confirmed in witness statements. To the extent that the witnesses' evidence may ultimately not accord with what I have been told, I reserve the right to amend my opinions accordingly.

1.3.5 I have also relied on various documents, a list of which is enclosed at Appendix – 3. Where I refer to matters of which I have no personal knowledge, I have indicated the relevant source of my information.

## 1.4 Independence

- 1.4.1 I am not aware of any actual or potential conflicts of interest which may have a bearing on this case.
- 1.4.2 Whilst I have prepared this report with the assistance of experienced staff of Deans working under my direction and control, the opinions expressed herein are mine and mine alone. In particular [REDACTED], a [Chartered / Chartered Certified] accountant and forensic specialist, assisted with the preparation of this report.
- 1.4.3 [Whilst I am instructed to give accountancy and taxation advice to [REDACTED],] I have never previously acted for any of the parties to these proceedings, nor knowingly acted for any of their associates. I have no financial interest in the outcome of these proceedings.
- 1.4.4 This report has been prepared solely for the purposes of these proceedings. In all other respects its contents are confidential and should not be released to any other parties other than those subject to these proceedings or their advisers, nor should it be relied upon for any other purpose whatsoever. Neither I nor Deans accept any responsibility to third parties for breach of this obligation, or for any opinions expressed or information included within this report, other than in so far as liability arises to the court from the giving of evidence.
- 1.4.5 This report should not be construed as expressing opinions on matters of law.
- 1.4.6 Prior to accepting instructions to act in this matter, I made reasonable enquiries to identify any actual or potential conflicts of interest in connection with the parties concerned. These enquiries did not reveal any potential conflicts or any previous connection between me and my firm and the parties.
- 1.4.7 This report has been prepared using Microsoft Word and Excel. The report may contain minor rounding adjustments due to the use of computers for preparing certain calculations.
- 1.4.8 [I am instructed that the court has consented to my report exceeding the 40 page limit to which paragraph 5.2(A1) of Practice Direction 27A of the Family Procedure Rules refers.] OR [If my report is to be included in a court bundle, I have requested that my instructing solicitors contact the court to consent to my report exceeding the 40 page limit to which paragraph 5.2(A1) of Practice Direction 27A of the Family Procedure Rules refers.]
- 1.4.9 This report is based on my understanding of current tax legislation, case law and HM Revenue and Customs (“HMRC”) practice, all of which may be subject to change. In considering the application of, and any claim by the parties to, the tax reliefs referred to in this report further tax advice should be sought by the parties from their own tax advisers in advance of taking any action and when filing their self-assessment tax returns.
- 1.4.10 [FOR FAMILY CASES ONLY] I have adopted the valuation approach normally required in the Family courts, namely a broad view of an approximate market value. In the interests of proportionality I have not carried out the detailed due diligence that would be likely to take place in the event of an actual sale of a company.

## 1.5 Appendices

### 1.5.1 Appendix – 1

1.5.2 A copy of the CV for Richard Stonier.

1.5.3 I have been assisted by [REDACTED] in this case. [REDACTED] is a [REDACTED] at Deans and in our forensic department.

### 1.5.4 Appendix – 2:

1.5.5 The letter of instruction.

### 1.5.6 Appendix – 3:

1.5.7 List of principal documents used in the preparation of this report. Copies of these documents are available on request but have not been reproduced here to keep the size of my report to a minimum.

**1.5.8 Appendix – 4:**

1.5.9 List of texts, published materials and tax statute used in the preparation of this report.

**1.5.10 Appendix – 5:**

1.5.11 Site visit notes.

**1.5.12 Appendix – 6:**

1.5.13 Third party data sources.

**1.5.14 Appendix – 7:**

1.5.15 Any other relevant issues.

## 2. The Background to the Dispute and the Issues

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### 2.1 The Relevant Parties

- 2.1.1 [redacted] Limited (the Company) with registered address: [redacted]. Company number: [redacted].
- 2.1.2 Mr [redacted] ("Mr [redacted]") is a Company Shareholder owning [redacted]% of the issued share capital of [redacted] Limited. He is a co-director of the company with Mrs [redacted]. Mrs [redacted] ("Mrs [redacted]") is a Company Shareholder owning [redacted]% of the issued share capital of [redacted] Limited. She is a co-director of the company.
- 2.1.3 [redacted] Limited is owned [redacted]% by [redacted] Limited (the parent company). Mr and Mrs [redacted] are co-directors of the subsidiary company.
- 2.1.4 [redacted] is the Respondent in this case.
- 2.1.5 [redacted] is the Applicant in this case.

### 2.2 The Assumed Facts

- 2.2.1 Mr and Mrs [redacted] are involved in a divorce and associated financial proceedings case in the Family Court at Birmingham. As part of this divorce a valuation is required for [redacted] Limited.

### 2.3 The Issues to be Addressed

- 2.3.1 To prepare a report as a [party appointed] / [single joint] expert on the following issues:
- [redacted]
  - [redacted]
  - [redacted]

### 2.4 The Assumptions Adopted

- 2.4.1 Firstly, it is clear that the company is an active company and continuing to trade normally.
- 2.4.2 Both parties need to work and cannot afford to retire.
- 2.4.3 I have to perform a business valuation based on a fundamental assumption of whether the business is a going concern. Nothing has come to my attention, including from the site visit at Appendix - 5, to cast doubt on the going concern assumption.
- 2.4.4 [The Covid – 19 Pandemic is currently causing major disruption to businesses in the UK. At the time of this report there is a vaccine approved for use in the UK, which is starting to be rolled out into the community. This process is expected to run well into 2021 along with the hoped for approval of further vaccines.]
- 2.4.5 [In preparing the valuation within this report I have taken two views on the forecast period to [redacted]. The first is a pessimistic view that Covid – 19 continues to disrupt business in [redacted]. The second is an optimistic view that Covid – 19 is rapidly removed as a key business issue in [redacted] and that business returns to normal.]
- 2.4.6 Both Mr and Mrs [redacted] were active in the business, however Mr [redacted] takes a more active role in the growth and strategic direction of the company.
- 2.4.7 The notes to the Zoom meeting / site visit in Appendix - 5 set out the current position and outlook in more detail.

### 2.5 Historic Performance

- 2.5.1 I have been provided with the financial statements of the company for [redacted] which are referenced in Appendix – 3.

2.5.2 Whilst financial statements are prepared in accordance with prescribed accounting principles and presented in a format governed by statute, the same rules and restrictions do not apply to management accounts. Moreover, the process of preparing management accounts is often not as vigorous as the year-end reporting exercise used to compile the financial statements. For example, in my experience accrual and stock figures reflected in management accounts are frequently estimated, excluded or simply carried forward unchanged from previous periods. Consequently, management accounts are generally perceived as being less reliable than financial statements. Nevertheless, I have relied on the management accounts provided to me, as they give an indication of trends in trading since the last accounting year-end date and, without them, I would have had no alternative but to rely on trading results that are now nearly [2] years out of date.

2.5.3 The last three profit and loss accounts are presented in the table below:

*Table – 2.1*

[redacted]

2.5.4 [Brief P&L narrative review with analysis of any key headings such as turnover etc]

## 2.6 Historic Balance Sheets

2.6.1 The last three balance sheets are presented in the table below:

*Table – 2.2*

[redacted]

2.6.2 [Brief Balance Sheet review with analysis of any key headings such as fixed assets etc].



### 3. The Technical Investigation

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#### 3.1 Articles of Association

- 3.1.1 Companies' Articles of Association sometimes include details on the approach that should be taken when valuing shares in an entity. I have reviewed the Articles of the Company and I have not identified clauses which impact on the Company's valuation.
- 3.1.2 The Articles allow for share transfers to members only or to persons selected by the directors as being desirable as a member and willing to purchase the shares at a fair value. Table A was adopted on incorporation.
- 3.1.3 There have been no changes to the Articles since incorporation.

#### 3.2 Valuation Methodologies

- 3.2.1 For the purposes of this valuation, I have assumed that any sale would take place on an open market basis and I have not considered the valuation of the company in a distressed sale scenario.
- 3.2.2 As is the case with many owner-managed businesses, the Company is reliant for its management on its directors. Consequently, the value of the Company would be significantly reduced if it were to be sold in circumstances in which the management were not supportive of the sale process. Such support would typically extend to a willingness to agree not to set up any new business in competition and to do whatever was necessary to ensure a smooth transfer of the business to new owners.
- 3.2.3 A basic valuation principal is that the value of a share or business is related to the future expectations of the parties concerned and is based on what the shares/businesses can earn or realise by way of profits in the future. Its future return may come from:
- Future cash flow (from dividends or earnings);
  - Future capital appreciation (realised on a flotation or trade sale);
  - Future realisable value (part disposals, surplus assets, break-up).
- 3.2.4 The valuation of private company shares is not an exact science. Ultimately the value of a business is what a willing buyer is willing to pay and what a willing seller is willing to accept.
- 3.2.5 There are broadly three different approaches that can be used to value companies. They are:
- The Cost approach.
  - The Market approach.
  - The Income approach.
- 3.2.6 I provide an overview of these approaches below.
- 3.2.7 Cost Approach**
- 3.2.8 The cost approach is based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. It establishes value based on the cost of reproducing or replacing the asset. In essence it estimates the cost of setting up an equivalent business from scratch.
- 3.2.9 One way of applying the cost approach, for businesses with no goodwill, is to consider the net asset value of a company.
- 3.2.10 The net assets method ignores the future performance of a business. Instead, this method values the assets less the liabilities of a business at a given date on one of two bases, namely either:

- A Breakup basis, which assumes that the assets will be sold under a forced sale scenario; or
- A Going Concern basis, which assumes that the assets will not be sold but are to be valued upon an open market basis between a willing buyer and a willing seller.

3.2.11 The net assets method is normally used for businesses which are not a going concern and are likely to be wound up or for high asset value businesses and investment property businesses. For trading businesses, it would generally derive the “base value” for the business.

### **3.2.12 Market Approach**

3.2.13 The market approach values an asset by comparing it with identical or similar assets for which price information is available. This approach relies on the ability to identify comparable businesses with an ascertainable market share price.

3.2.14 In order to apply the market approach it is necessary to be able to identify:

- Publicly traded shares in companies similar to the Company; or
- Transactions in which comparable businesses have been bought or sold.

3.2.15 Another way of applying a market approach is to consider previous transactions in the ownership of the Company.

3.2.16 When considering actual and / or potential transactions that have occurred in the business in recent years (including share sales and offers made for the sale of the business), it is important to understand the specific circumstances surrounding the transaction to appreciate the balance of power between the buyer and seller.

3.2.17 The most often used valuation method under this approach is the Price / earnings Ratio (P/E).

### **3.2.18 Income Approach**

3.2.19 The income approach provides an indication of value by converting future cash flows to a single current capital value. This involves a calculation to quantify the economic benefit of the asset being valued with reference to its historical or forecasted cash flow.

3.2.20 This cash flow is then discounted to present value with an appropriate risk-adjusted discount rate. For this reason this method of applying the income approach is often called the Discounted Cash Flow (“DCF”) method.

3.2.21 Although the DCF method may be an appropriate approach to adopt in certain circumstances, if the company does not prepare detailed forecast information the approach cannot be considered.

3.2.22 In the absence of detailed cash flow forecasts, a good approximation is to apply the so-called maintainable earnings approach. This seeks to establish the amount of earnings which a company is likely to be able to sustain for the foreseeable future. This sum is then multiplied by a factor representing the number of future years’ earnings which a purchaser might consider acquiring.

3.2.23 It is possible to apply the capitalisation factor to maintainable earnings based on profits after tax. However, in order for the valuation to be independent of the taxation regime in which its proprietors operate, I base my calculations on profits before tax when using this approach.

3.2.24 In some instances maintainable earnings can be calculated with reference to Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”). The product of EBITDA and the relevant multiple is the company’s Enterprise Value from which must be deducted the company’s net debt to derive its Equity Value or the value of its shares.

- 3.2.25 EBITDA multiples are lower than equivalent multiples applied to profits before tax. The reason for this is that a hypothetical purchaser that acquires a business on an EBITDA basis will also have to fund capital expenditure that is not factored into the EBITDA figure (as it is calculated before deduction of depreciation) but which is factored in to profits before (or after) tax.
- 3.2.26 The net result of applying multiples to EBITDA or profit before tax should be the same.
- 3.2.27 It is common when using the maintainable earnings valuation method to make adjustments to reported profits. This is in order to smooth out any unusual transactions and to recognise the fact that, in owner managed companies, management and staff remuneration may not equate to that which may be paid if the company were managed and run by those other than its shareholders.
- 3.2.28 Adjusted past profits, particularly those of the most recent year, are often considered to be a reasonable basis from which future profitability can be estimated. It should be borne in mind that a buyer buys the potential future profits of a business and past profits are only an indication of what the future might bring.
- 3.2.29 The income approach seeks to estimate the price that any future owner would pay to receive the benefit of a stream of profits which a company might expect to generate in the foreseeable future.
- 3.2.30 In relation to minority shareholdings, the income approach sometimes leads to consideration of the income flowing from shares by virtue of the dividends paid thereon.
- 3.2.31 The dividend yield basis is typically used for minority shareholdings in companies where profits are distributed on a regular and consistent basis.
- 3.2.32 To use this basis there needs to be a maintainable dividend that the company will pay and a relevant dividend yield. The dividend yield is normally derived from similar listed companies and adjusted accordingly.
- 3.2.33 Other Approaches**
- 3.2.34 Companies' Articles of Association sometimes include details on the approach that should be taken when valuing shares in an entity. I have reviewed the Articles of the Company and [...../I have not identified any clauses which impact on the Company's valuation.]
- 3.2.35 Although not a valuation method in itself, if there have been offers to buy the business historically these would provide anecdotal evidence of the sort of value that a buyer might be willing to pay for the business. Care would have to be exercised as to the reliability of these offers as quite often a buyer might start at a very low value or might offer a price just to obtain access to sensitive company information before pulling out of a deal.
- 3.2.36 In some industries there is a bespoke method to value businesses that has evolved over time. These include multiples or percentages of turnover / billings.

### 3.3 My view on the appropriate valuation method for the Company

- 3.3.1 In my opinion, I consider the most appropriate method for valuing the Company is the [REDACTED] method because:
- [It does not have a consistent dividend policy and dividends are used as a tax-efficient mechanism by which to remunerate directors, thereby precluding valuation based on the dividend yield method.]
  - [There are insufficient comparable quoted companies or reported transactions concerning comparable companies for the market approach to be applicable.]

- [There have been no share transactions on which to base a valuation using the transaction based method.]
- [It is intended that it continues trading on a going concern basis and no break-up or forced sale is envisaged.]
- [There is a record of profits over the past few years.]
- [Its Articles of Association do not specify a particular valuation methodology.]
- [It does not prepare sufficiently detailed cash flow forecasts to facilitate a DCF calculation.]
- [It is not asset rich in the sense that its trading assets, if valued on the open market, would exceed the present value of future cash flows from trading profits.]

3.3.2 If an earnings approach is taken then it is still necessary to consider the balance sheet of the Company in an attempt to ascertain if any assets are surplus to the Company's requirements in terms of its trading activities. The value of any such surplus assets is added to the earning based valuations.

3.3.3 In addition, it is necessary to consider a maintainable earnings valuation with reference to the net asset valuation. This is because the value of a company will typically be the higher of its net assets and the capitalised value of its earnings. For it to be otherwise would suggest that a company had negative goodwill. It is difficult to justify the existence of negative goodwill in circumstances in which a company is likely to continue as a going concern and is predicted to be profitable.

3.3.4 [WORDING FOR PROPERTY COMPANIES] For the reasons set out above, property investment businesses are valued with reference to their net assets because the value of their assets will exceed the value of their capitalised earnings. Accordingly, I consider that the following entities should be valued on a net assets basis:

- [ ].

3.3.5 [This methodology requires the fair value of the assets to be assessed and a deduction to be made for the latent tax that would arise if the assets were to be realised in line with the valuation.]

3.3.6 [In some circumstances it may be appropriate to deduct only a proportion of the latent tax, especially if it is intended that the assets will be retained for a long period of time such that the tax is not expected to crystallise in the foreseeable future.]

3.3.7 [USE ONLY IN DIVORCE CASES] That said, in my experience, in the family courts it is accepted that if a property is held by a party to the marriage or civil partnership, its value for divorce purposes should be calculated after deduction of any latent capital gains tax in full.

3.3.8 [In my opinion it would be inconsistent if a different approach were to be taken simply because a property had been held in a corporate entity.]

3.3.9 [For that reason, for the purposes of my valuation, I have deducted the full amount of the latent tax that would arise if the entities were to realise their properties.]

## 3.4 Shareholder Power

3.4.1 Shareholdings of different levels carry differing levels of shareholder power. There are certain thresholds such as 25%, 51%, 75% where power increases. It is not necessarily the case that each individual share is worth the same. Value must be considered with reference to how many shares any one individual has.

- 3.4.2 A share in a company can be defined as bringing to the holder a bundle of rights, namely the right to receive a dividend, the right to attend meetings and perhaps to vote, and the right to participate in surplus assets upon a winding up. Shareholders with more than 50% of the voting shares in a company can appoint and dismiss the directors who manage it on a day to day basis and who recommend the level of dividend to be paid to shareholders. The more voting rights you have as a shareholder, the more power you can wield and the more valuable your shares.
- 3.4.3 In addition to the question of control, a minority discount also reflects the fact that generally, the less influential the shareholding the less marketable it will be.
- 3.4.4 So, when valuing a company as a whole, with 100% of its shares in issue, it is logical to apply discounts to recognise the fact that holdings of less than 100% are progressively less valuable as the size of the holding declines.
- 3.4.5 The following table sets out the understanding of control on the open market. This assumes that the directors are not trading fraudulently or while insolvent.

*Table – 3.1*

Percentage of Voting Equity	Description of Power
0% - 25%	Little influence
26% - 49%	Nuisance value (i.e. can block special resolutions etc.)
50%	Deadlock / Effective control (depending on make-up of other shareholdings)
51% - 74%	Practical control (i.e. can pass ordinary resolutions but need others for special resolutions)
75% - 100%	Complete power

- 3.4.6 Whilst this is logical, it may not be fair.
- 3.4.7 To overcome this perceived unfairness some companies incorporate rules within their Articles of Association which prevent the application of a discount to minority shareholdings and which prohibit a premium to be added to reflect the higher price that a potential purchaser might pay for a controlling interest. Other companies state that the value at which the shares are to be transferred between shareholders shall be the “equitable value”.
- 3.4.8 The “equitable value” concept takes into account both the value of the shares to the vendor and to the purchaser. For example, consider a company worth £90k as a whole with three shareholders each owning one share of the total issued share capital of £3. Whilst the value of the whole company might be £90k, the value of one share is likely, under normal share valuation methodology, to be less than £30k, say £20k. But, the value to one of the other two shareholders of acquiring that one share and to hence gaining control of the company could be worth significantly more than £30k, say £50k. So is the equitable value of the share in question £20k, £30k or £50k? In my view, the equitable value will be somewhere between the two extremes.
- 3.4.9 Furthermore, some companies invest additional time and money in drawing up a shareholders’ agreement setting out in great detail how the shares are to be valued and how they are to be transferred.

### 3.5 Minority Discount

- 3.5.1 There are no set rules for discount factors to apply at the differing levels of minority influence as set out above. However, apart from in Quasi Partnership situations (see next section) it is widely understood that the value of a minority holding is not a simple pro-rata of the whole to reflect the proportion of shares held.
- 3.5.2 A minority holding with little influence (0% - 25%) is likely to experience a discount factor in the range of 50% - 90%.

3.5.3 A minority holding with nuisance value (26% - 49%) is likely to experience a discount factor in the range of 30% - 65%.

3.5.4 A deadlock situation (50%) is likely to experience a discount factor in the range of 15% - 45%.

3.5.5 The above ranges are typical ranges, but each individual case should be assessed on its own circumstances. A further complication is to consider who the buyer might be. For example, a third-party buyer of a 30% share in a business would pay less for that 30% holding than the 70% shareholder would pay to acquire complete control of the shares.

### 3.6 Quasi Partnership

3.6.1 Once the valuation of a business has been derived consideration is then focused on valuing any minority holdings in that business. (See Section 3.5). Quite often the discount factors applied to minority holdings have the biggest overall impact on the ultimate valuation of a shareholding.

3.6.2 It is for this reason that consideration of quasi-partnership status has come to the fore in many business valuations. Under a quasi-partnership situation, a minority shareholding would be valued at simply its pro-rata value of the whole with no discount applied.

3.6.3 There are several indicators that inform the decision on whether or not a quasi-partnership exists. These “badges of partnership” should be considered individually and in aggregate to form a judgement on each case:

- **The existence of non-shareholder directors.** Typically, a quasi-partnership will be a company in which all directors are shareholders or, if there are shareholders who are not directors, they will usually be close family members of the directors who hold shares for tax planning purposes. Conversely, the existence of non-shareholding directors and non-executive directors would indicate the business is run on a more corporate basis and is not a quasi-partnership.
- **A close working relationship between directors.** An indication of quasi-partnership will be a close working relationship between directors and a hands-on management style in which all shareholder directors are involved in running the business day-to-day.
- **An absence of a formal shareholders’ agreement.** A key feature of partnership is a high level of trust between partners. Therefore, companies that operate without a shareholders’ agreement of any sort could be deemed to exhibit similar characteristics of a partnership.
- **Funding by directors.** Partnerships are generally funded by the partners. Therefore, limited companies with a high level of director loans into the business exhibit similar characteristics of a partnership.
- **Funding of directors.** Partnerships often fund the personal expenditure of partners and charge these expenses to the partner capital or current accounts. Therefore, limited companies with a high level of director expenses charged to their loan accounts exhibit similar properties to a partnership.
- **Size.** A company does become more corporate in look and feel the bigger it gets. It therefore follows that a company deemed to be a quasi-partnership is most likely to be of a size comparable to a family run partnership.

### 3.7 Rules

3.7.1 Appendix – 5 sets out some of the key CGT rule provisions from TCGA 1992 that have been considered in the preparation of this report.



## 4. The Facts on Which the Experts Opinion Is Based

### 4.1 Calculation of Maintainable Earnings

4.1.1 I have set out in Section – 2.5 and 2.6 above a review of the historic performance of the Company. In order to form the valuation I consider it necessary to include forecast numbers in the maintainable earnings calculation. The table set out below shows the historic and forecast periods:

Table – 4.1

[redacted]

4.1.2 The above forecasts have been formulated by [redacted].

4.1.3 [The [redacted] forecast numbers have been computed with and without the effects of COVID. The [redacted] figures without COVID have been based upon the average annual growth rate for between [redacted]-[redacted] of [redacted]%. This is based upon the IBISWorld industry reports for both the [redacted] and the [redacted]. The forecast growth rate of [redacted]% has been applied to the [redacted] results.]

4.1.4 [The [redacted] forecasts with COVID are computed based upon the average annual growth rate for between [redacted]-[redacted] of [redacted]%. Again, the forecasted growth rate of [redacted]% has been applied to the [redacted] results.]

4.1.5 In order to arrive at the maintainable earnings of a company, it is necessary to adjust the reported earnings for any unusual items that are unlikely to recur and non-commercial transactions. The resulting earnings figures reflect what a third party might expect to earn from the business, operating it on an arm's length basis. Typically, a buyer will make certain adjustments to the reported figures to account for changes in circumstances, non-arm's-length trading and non-recurring items.

4.1.6 Based on my analysis of the Company's profit and loss accounts, I have made various adjustments to the reported results. The following table sets out the adjustments made, weightings applied and the calculation of maintainable earnings:

Table – 4.2

[redacted]

4.1.7 The following table explains the above profit adjustments:

Table – 4.3

Adjustment	Explanation

4.1.8 The following table explains the above weightings:

Table – 4.4

Year	Weighting	Reasons

### 4.2 Capitalisation Factor

4.2.1 Once the figure for maintainable earnings has been established, it is multiplied by a factor to reflect the number of years a potential purchaser might be prepared to wait before his investment was returned.



- 4.2.2 [IF USING P/E] A review of the Financial Times at Table - [REDACTED] in Appendix – 6 has derived the following average P/E – [REDACTED].
- 4.2.3 [IF USING EBIT OR EBITDA] Appendix – 6 sets out the EBITDA data from various external sources. In summary, the following multiples may be relevant:

Table – 4.5

Data Source	EBITDA	Relevance for this case
Financial Times	-	Companies within the industry were reviewed, however there were no perfect matches found.
UK200		Good comparison but slightly higher than would expect as the average deal size is £7.1m
PCPI		This is based upon 2,000 deals calculated from publicly available financial information on deals completed each quarter. As private companies are generally owner-managed, reported or disclosed profits tend to be suppressed by various expenses that may be non-recurring under a new owner. The effect of this is that the multiple may be overstated and therefore less reliable.
Markto Market (Nano Cap)		Based upon around 800 deals a year and on tens of thousands of announced and unannounced deals classed by both sector and size. This is the average multiple based upon Nano cap size band £1-£2.5m EV. This gives us an indication of the similar multiples for companies of similar size.
Markto Market (Ind Consumer)		Average multiple for the closest sector match to [REDACTED] Limited. This sector covers a variety of businesses and will include companies which do not provide as greater fit and therefore less reliable.
BVB		Closest fit based upon average transaction multiples within the sub sector “[REDACTED]”.
ICAEW		This has been used as the start point in table 4.6, however the companies were larger than that of [REDACTED]

- 4.2.4 Ultimately, the choice of capitalisation factor will be a matter of professional opinion. From the above table a starting ratio of [REDACTED] is suggested.
- 4.2.5 This ratio will be discounted for various factors to derive a multiple suitable for using for [REDACTED] Limited as follows:

Table – 4.6

Notes	%	Updated Ratio
Derived Ratio – see table – 4.5		
Discount for lack of marketability and unquoted status*		
Discount for specific factors**		
<b>Adjusted Ratio (Rounded)</b>		

\* A common adjustment to convert from a quoted business to a private business. A typical range of 30-50% is used for this. [However, this has been tempered further given that [REDACTED]].

\*\* Further discount for the following factors:

- [redacted]
- [redacted]
- [redacted]

4.2.6 As can be seen above I have discounted the multiple from larger businesses by just over [redacted]% net. This may be viewed as a [high/low] discount, but I judge this to be fair as the derived multiple from the above data sources is [redacted].

### 4.3 Calculation of the fair value of net assets

4.3.1 In this section I shall estimate the fair value of the net assets of the Company. A net assets valuation is suitable for a company that is a going concern and provides a minimum value to be applied to a company. However, this does not consider the goodwill developed by the directors.

4.3.2 The reputation of the business would be considered to have a value, and this goodwill can be estimated as a multiple of the profits of the business and it seems likely that the range of this value will be significant depending on the specific circumstances of each sale and purchase transaction.

4.3.3 The true goodwill of [redacted] will only be determined on the sale of the business and I have not been advised of any offers for [redacted]. I will therefore provide an estimated goodwill arising in the business based on my experience.

4.3.4 I have adjusted the net asset value of [redacted] for goodwill based on two years adjusted profit after tax.

4.3.5 I calculate the adjusted profits after tax as follows:

Table – 4.7

	£
Average adjusted EBITDA	
Depreciation	
Interest	
Adjusted profit before tax	
Tax @ 19%	
<b>Adjusted profit after tax</b>	

4.3.6 I have also assumed that:

- Retained earnings have increased by profit after tax for each year; and
- Dividends have been paid in line with previous years (£[redacted] per annum).

4.3.7 In section – 2.6 I set out a review of the balance sheets up to the year ended [redacted].

4.3.8 In order to calculate the fair value of the net assets, I consider that certain adjustments to their book value are required as follows:

- [A deduction should be made to reflect the corporation tax that will be payable in respect of profits for the period ended [redacted]].
- [redacted]
- [redacted]

4.3.9 The adjusted net assets value is as follows:

Table – 4.8

	£	£

Net assets at [redacted]		
Profit before tax for the year ended [redacted]		
Tax @ 19%		
Assumed dividends [redacted]		
Profit before tax for the year ended [redacted]		
Tax @ 19%		
Assumed dividends [redacted]		
Goodwill – two years adjusted profit after tax		
<b>Adjusted net assets</b>		
<b>Rounded</b>		

4.3.10 I therefore calculate the fair value of the net assets of the Company as at [redacted] to be £[redacted] as follows:

Table – 4.9

	£
Balance sheet as at [redacted]	
[Adj – 1]	
[Adj – 2]	
[Adj – 3]	
<b>Estimated fair value of net assets</b>	

#### 4.4 Minority Discount and Quasi Partnership

4.4.1 At [redacted] we have a situation where we have [deadlock/a [redacted]% minority]. Therefore, we need to consider whether or not a discount is needed to calculate the value of the [deadlock/minority] share.

4.4.2 [Contrary to the above if the buyer of [redacted]% of the shares was to be the other [redacted]% shareholder then they would be expected to pay at least the straight forward pro rata [redacted]% share of the whole. They may even pay a small premium.]

4.4.3 In this instance a discount of [redacted]% has been used to discount the value (calculated above) of [redacted] Limited as shown below:

Table – 4.10

Notes	%	Updated Ratio
Full value of the company – earnings basis		
Reduction for [REDACTED]% shareholding	[REDACTED]	( )
Discount for minority shareholding ( 0% - 0%)		( )
<b>Adjusted value (Rounded) – Minority</b>		

4.4.4 The question of quasi-partnership arises in this situation. This is where the [REDACTED] shareholders are considered to be running the business for mutual benefit. i.e. the share split is almost irrelevant – possibly based on historic transactions or tax planning exercises. It is up to the court to decide whether or not this company is run as a quasi-partnership but from what the site visit showed, and other enquiries have indicated it would appear highly likely that this is a quasi-partnership arrangement.

4.4.5 Under a quasi-partnership arrangement, the value of the [REDACTED]% shareholding would be a straight [REDACTED]% pro-rata of the whole company valuation.

#### 4.5 Surplus Assets

4.5.1 The company has built up surplus cash over the past few years, with the intention of [REDACTED] and giving scope for expansion of the business. However, nothing of a significant capital nature has been spent to date. The Covid – 19 Pandemic also leads to doubt that substantial capital outlay will be made in the near future.

4.5.2 It is considered that a working capital cash balance of £[REDACTED] is reasonable based on the company's performance and balance sheets. This leaves an average surplus cash balance of £[REDACTED]. In addition, at [REDACTED] the directors owed £[REDACTED] back to the company. I have therefore increased the surplus cash by £[REDACTED] to £[REDACTED] to account for this refund.

#### 4.6 Valuation Calculation

4.6.1 The following table sets out the calculation of the [REDACTED] Limited valuation using all of the above data.

Table – 4.9

[INCLUDE TABLE SHOWING VALUATION STARTING WITH ADJUSTED MAINTAINABLE EARNINGS LINE]

4.6.2 In section – 4.3 above I have calculated that the fair value of the net assets of the Company as at [ ] were £[ ].

4.6.3 I have explained that the value of a business will typically be the higher of the capitalised value of earnings and the value of its net assets. For it to be otherwise would suggest that the company had negative goodwill. It is difficult to justify the existence of negative goodwill in circumstances in which the Company is likely to continue as a going concern and is predicted to be profitable.

4.6.4 I therefore conclude that the value of the Company is £[ ], being the higher of the fair value of its net assets and the value of its capitalised maintainable earnings.

#### 4.7 Valuation of Minority using Discounted Approach

4.7.1 Mr [ ] owns [ ]% of the ordinary share capital. From table – 4.9 it can be seen that the value of these shares after application of a discount and including a share of surplus assets is £[ ].

4.7.2 In comparison the discounted net asset value is set out below;

Table 4.11

Notes	%	£
Total net asset value of the company		
Reduction for [ ]% shareholding	[ ]	
Discount for minority shareholding	[ ]	
<b>Adjusted net asset value - minority</b>		

4.7.3 I therefore conclude that value of the 50% minority shareholding is £[ ], being the higher of the fair value of its net assets and the value of its capitalised maintainable earnings.

#### 4.8 Valuation of Minority using Quasi Partnership Approach

4.8.1 Mr [ ] owns [ ]% of the ordinary share capital. If the Company is treated as being a quasi-partnership then the [ ]% share of the ordinary share capital including a share of surplus assets would be a simple pro-rata giving £[ ].

4.8.2 In comparison the discounted net asset value is set out below;

Table 4.12

Notes	%	£
Total net asset value of the company		
Reduction for [ ]% shareholding	[ ]	
<b>Adjusted net asset value - minority</b>		

4.8.3 I therefore conclude that value of the [ ]% minority shareholding with no discount (quasi) is £140,000, being the higher of the fair value of its net assets and the value of its capitalised maintainable earnings.

## 5. The Experts Opinion

### 5.1 Value of [REDACTED] Limited

5.1.1 Section – 4 shows the calculation of the value of [REDACTED] Limited. This shows a value of between £[REDACTED] - £[REDACTED]. This is based upon a valuation with and without the effects of COVID. This is the gross value of the business before capital gains tax has been deducted.

5.1.2 If the business was sold the following capital gains tax would fall due:

Table – 5.1

CGT liability	21/22	21/22	21/22	21/22
	£	£	£	£
Value of shares				
Sales costs @ 5%				
Base cost of shares				
CGT allowance				
<b>Gain</b>				
<b>CGT @ [REDACTED]%</b>				

5.1.3 After CGT and sales costs, the net value of the business (rounded) is £[REDACTED].

### 5.2 Value of [REDACTED] Limited – Minority (Discounted)

5.2.1 Section – 4 shows the calculation of the [REDACTED]% minority value of [REDACTED] Limited. This shows a value of between £[REDACTED] - £[REDACTED]. This is based upon a valuation with and without the effects of COVID. This is the gross value of the minority before capital gains tax has been deducted.

5.2.2 If the minority was sold the following capital gains tax would fall due:

Table – 5.2

CGT liability	21/22	21/22	21/22	21/22
	£	£	£	£
Value of shares				
Sales costs @ 5%				
Base cost of shares				
CGT allowance				
<b>Gain</b>				
<b>CGT @ [REDACTED]%</b>				

5.2.3 After CGT and sales costs, the net value of the minority share (rounded) is between £[REDACTED] and £[REDACTED].

### 5.3 Value of [REDACTED] Limited – Minority (Quasi Partnership)

5.3.1 Section – 4 shows the whole company value to be between £[REDACTED] - £[REDACTED]. The [REDACTED]% minority value on a simple pro-rata is between £[REDACTED] - £[REDACTED]. This is based upon a valuation with and without the effects of COVID. This is the gross value of the minority before capital gains tax has been deducted.

5.3.2 If the minority was sold the following capital gains tax would fall due:

Table – 5.3

CGT liability	21/22	21/22	21/22	21/22
	£	£	£	£
Value of shares				
Sales costs @ 5%				
Base cost of shares				
CGT allowance	_____		_____	
<b>Gain</b>		=====		=====
<b>CGT @ [redacted]%</b>		=====		=====

5.3.3 After CGT and sales costs, the net value of the minority share (rounded) is between £[redacted] and £[redacted].

#### 5.4 Extraction of Value

5.4.1 In this section I shall consider the means by which Mr [redacted] might be able to extract value from the Company by way of income or capital.

5.4.2 [Before considering each possibility in detail, it is important to note that they are all reliant upon the co-operation of the fellow shareholders and directors. For the purpose of this report I have assumed that the other shareholders would co-operate with Mr [redacted] in raising capital or income. Similarly, I have assumed that they would require that, if any profits were distributed to shareholders by means of a dividend or directors' bonus, then they would wish to participate in such a distribution to the extent of their full entitlement and would not wish to waive their rights in that regard.]

5.4.3 In section – 4.5 I have given my opinion that the Company has surplus cash deposits. In addition, it could raise further money secured on its other assets, including freehold property, its stock, its machinery and its book debts.

#### 5.4.4 Liquidity

5.4.5 The company has a good liquidity position:

Table – 5.4

	[redacted]	[redacted]
	£	£
Total current assets		
Total current liabilities		
<b>Net Current Assets</b>		
	<b>Ratio</b>	<b>Ratio</b>
Current Ratio (Current assets / Current liabilities)		
Quick Ratio (Current assets excluding stock / current liabilities)		

5.4.6 The established perception is that a current ratio of 2.0 or more and a quick ratio of 1.0 or more is a healthy and safe position for the company. This is to ensure that the company has sufficient liquid assets to cover immediate current liability obligations. The numbers above for [redacted] Limited are evidently much greater than this in terms of both the current and quick ratio. This indicates that the company has a safe level of assets to meet its short-term liabilities.

5.4.7 The company has maintained a high bank balance over the past three years. Mr and Mrs [REDACTED] confirmed that this had been built up with the intention to [REDACTED]. The company needs at least £[REDACTED] working capital to ensure that all wages and overhead are paid. The company consistently maintains a cash balance to cover the required level of working capital.

5.4.8 During our meeting on [REDACTED] Mr [REDACTED] confirmed that the bank balance was healthy and that there is no authorised overdraft facility in place with the bank.

**5.4.9 Realisable capital and borrowing capacity**

**5.4.10 Net current assets**

5.4.11 Within debtors there is a reasonable trade debtor book which appears to be realisable debts from current customers. There is no bad debt provision or question over recoverability. Therefore, these debtors are expected to convert into cash.

5.4.12 The only loan which the company has is a £[REDACTED] loan. The company has no other loans or overdraft.

5.4.13 Other creditor balances including VAT appear to be normal monthly trading balances.

**5.4.14 Conclusion**

5.4.15 The surplus cash in the business could be used in order to provide capital to buy out one of the shareholders. The company has very low debt levels, amounting to just the £[REDACTED] loan. This indicates that there could be potential to raise further debt to fund the matrimonial settlement. However, the bank would need security which may involve personal guarantees.

5.4.16 If the director loan of £[REDACTED] is repaid this will increase the amount of cash available.

5.4.17 Overall, I consider it reasonable to believe that the Company could borrow up to £[REDACTED]. If it did so, it ought to be able to afford to make a one off distribution of the order of £[REDACTED].

5.4.18 It is important to stress that, in common with most companies that are free of bank debt, I would expect there to be considerable reluctance on the part of Mr [REDACTED] to the suggestion that the Company should not only reduce its bank deposits but also take on bank borrowings. In my opinion to do so would, to some extent, adversely affect the value of the Company and its ability to trade free from cash-flow constraints and reliance on third-part funders.

5.4.19 I therefore consider that the Company could withdraw £[REDACTED] immediately. Mr [REDACTED] share of this would be £[REDACTED].

5.4.20 In order to extract this amount of money the options available are:

- Bonus Payment
- Dividend Payment
- Director Loan
- Sale of Shares
- Company Buy Back of Shares
- Newco
- Demerger

**5.4.1 Bonus Payment**

5.4.2 Assuming no other income sources a salary/bonus would be taxed as follows in 22/23:

Table – 5.5

Tax Year 22/23	Tax	Employee	Employer	Cumulative
£	%	NI	NI	Income
		%	%	£



9,100	0.0	0.0	0.0	9,100
3,470	0.0	0.0	15.05	12,570
37,700	20.0	13.25	15.05	50,270
49,730	40.0	3.25	15.05	100,000
25,000	40.0*	3.25	15.05	125,270
25,000	40.0	3.25	15.05	150,000
1 <sup>+</sup>	45.0	3.25	15.05	150,001

\* - Over £100,000 each additional £2 of income loses £1 of the personal allowance of £12,570.

+ - Each additional £1.

- 5.4.3 Taking Mr [REDACTED]'s tax return from [REDACTED] and assuming the other income sources stay the same in 21/22 the payment of a bonus of £[REDACTED] would lead to the following tax liability thereon:

Table – 5.6

Income	Income Gross £	Tax Rate %	Tax £	Income Net £
Bonus				
<b>TOTAL</b>				

5.4.4 Dividends

- 5.4.5 Assuming no other income sources any dividends would be taxed as follows in 22/23:

Table – 5.7

Tax Year 22/23 £	Tax %	Employee NI %	Employer NI %	Cumulative Income £
12,570	0.0	0.0	0.0	12,570
2,000	0.0	0.0	0.0	14,570
37,700	8.75	0.0	0.0	52,270
49,730	33.75	0.0	0.0	100,000
25,000	33.75*	0.0	0.0	125,270
25,000	33.75	0.0	0.0	150,000
1 <sup>+</sup>	39.35	0.0	0.0	150,001

\* - Over £100,000 each additional £2 of income loses £1 of the personal allowance of £12,570.

+ - Each additional £1.

- 5.4.6 Taking Mr [REDACTED]'s tax return from [REDACTED] and assuming the other income sources stay the same in 21/22 the payment of a dividend of £[REDACTED] would lead to the following tax liability thereon:

Table – 5.8

Income	Income Gross £	Tax Rate %	Tax £	Income Net £
Dividend				
<b>TOTAL</b>				

#### **5.4.7 Director Loan**

5.4.8 Another means of extracting value would be to pay funds to Mr [redacted] so as to [increase his / create an] overdrawn directors' loan account. This would trigger tax equivalent to 32.5% of the loan, payable by the Company, nine months from the end of the accounting year in which the loan was made. Any tax paid in this way would be refunded to the Company as and when the loan was repaid.

5.4.9 If the director repaid the loan over several years, they might be able to keep their income under the higher rate tax band of £150,000.

#### **5.4.10 Sale of Shares**

5.4.11 Mr [redacted] could sell his shares to another shareholder or a third party. In those circumstances Mr [redacted] would be liable to capital gains tax ("CGT") on the profit arising on the sale. The shares should qualify for Business Asset Disposal Relief (BADR) because:

- Mr [redacted] owns more than 5% of the ordinary share capital and voting rights in the Company;
- He is entitled to at least 5% of the distributable profits and net assets of the Company in the event of a winding up or in the event of a disposal of the ordinary share capital of the Company he is entitled to 5% of the disposal proceeds;
- He is a director of the Company;
- The Company is a trading company with no substantial non-trading activities; and
- All of the above conditions have applied for two years up to the date of disposal of the shares.

5.4.21 It must be noted that the rules surrounding the availability of BADR are complex. I have only undertaken a cursory review of the facts in this case and therefore the above assumptions should be checked, and specific tax advice sought before any transaction is undertaken.

5.4.12 He would therefore be taxed at an effective rate of 10% on the net chargeable gain on the disposal of the shares.]

5.4.13 My calculations in tables – 5.1, 5.2 and 5.3 of the CGT arising on the sale or transfer of the shares assume a disposal during a tax year in which no other gains are realised and that there are no capital losses available for offset.

5.4.14 [If the shares were transferred from Mrs [redacted] to Mr [redacted] in the tax year of separation then no tax would be payable. However, the tax calculated above would be applicable if the parties were to transfer their shares in a later period. However, business asset holdover relief should be available which will defer the gain until the recipient party eventually sells or transfers the shares.]

#### **5.4.15 Company buy back of shares**

5.4.16 A practical concern that may arise in relation to a sale of Mr [redacted]'s shares is that the other shareholders may not have sufficient cash reserves available with which to acquire them. To withdraw cash from the Company and use it to fund the purchase would be extremely tax inefficient.

5.4.17 A better alternative would be for the Company to purchase its own shares. Provided that it is permissible by the Articles of Association, a company can buy back its shares providing that the buy-back is in cash. The tax rules mean that it is not permissible either to take assets from a company or to leave a loan to it.

5.4.22 Under tax legislation, a buy-back of shares is treated as a distribution subject to dividend tax rates of up to 39.35%. However, provided certain criteria are met, the disposal can be treated as a capital gain eligible for the BADR tax rate of 10%, provided the criteria is met. The principal criteria to treat the share buy back as a capital disposal are as follows:

- The shares must have been held by the individual for the last five years;
- The disposal must be wholly or mainly for the benefit of the company's trade;

- The disposing shareholder's shareholding must be substantially reduced to no more than 75% of the seller's interest prior to the transaction; and
- The company must be a trading company.

5.4.23 If the foregoing criteria were all satisfied, as I expect they would be, then the rate of CGT would still be 10%, as calculated above. If they were not met, the distribution would be subject to dividend tax rates of up to 39.35%. There is an advance clearance procedure to obtain consent prior to a transaction with HMRC that the Company should take advantage of.

5.4.18 Any funds utilised by the Company to facilitate a share buy-back would be subject to Stamp Duty Tax at a rate of 0.5% which will need to be factored into the calculations of available funds.

5.4.19 The basic procedures of a share buy back are summarised as follows:

- The company's articles must not prohibit the purchase;
- The purchase cannot be paid for by way of a loan or instalments;
- The terms of the share purchase contract must be authorised by ordinary resolution before the contract is entered into;
- Either the contract or the memorandum setting out its terms must be available for 15 days prior to the ordinary resolution being passed at a meeting;
- The shares must be fully paid;
- The shares must be cancelled immediately on acquisition;
- Within 28 days of the shares being delivered to the company a return must be delivered to the Registrar of Companies (s707) and, before it is filed;
- The contract must be kept for ten years;
- If the correct procedure is not followed, then the purchase is void and an offence is committed by the company and every officer in default.

5.4.20 Based on the [REDACTED] balance sheets the combined distributable reserves are £[REDACTED]. This is [more/less] than the amount needed per Section – 5.4 of £[REDACTED].

5.4.21 The up to date balance sheets should be reviewed as it is likely that the retained reserves by [REDACTED] will show sufficient distributable reserves.

5.4.22 To the extent that the reserves in the company are available the pay out to Mrs [REDACTED] would create a capital gain, as calculated in Section – 5.4.2. If sufficient reserves are not available, then the company could buy out the value it was able to with Mr [REDACTED] personally buying the remaining value.

5.4.23 As can be seen above this route does lead to the same tax charges as in Section – 5.1. The main advantage however is that with the company buying back the shares there is no requirement for Mr [REDACTED] to extract the money from the business and pay personal tax on the extraction before buying the shares. This route therefore saves personal tax for Mr [REDACTED].

#### **5.4.24 Newco**

5.4.25 An alternative to a buy-back would be to incorporate a new holding company that would issue shares (by means of a share for share exchange) to the continuing shareholders in return for their existing shares. Any shareholders that were seeking to realise their shareholdings would be paid for their shares in cash.

5.4.26 This route is more flexible than a buy-back because it is not subject to the restrictions listed above although Stamp Duty will be payable on the value of the whole company as opposed to the proportion of the shares that are bought in cash.

5.4.27 Once again, I recommend that advance clearance is obtained from HMRC because tax relief on a share for share exchange can be voided if HMRC considers that one of the main purposes of the restructuring is the avoidance of tax.

#### 5.4.28 Demerger

5.4.29 In view of the property assets held by the company, a Corporate Demerger could be effected so as to split the assets owned by the company between two or more different entities.

5.4.30 Typically in a Demerger, the activities of a business are distributed to a new company (or companies) owned by the existing shareholders and, with sufficient advice and tax planning, may be enacted such that the shareholders do not suffer a tax charge at Demerger, only upon any subsequent sales of properties or assets.

5.4.31 It is possible, with the use of the above reliefs, to end up with two separate companies, one with Mr [REDACTED] as the sole shareholder and the other with Mrs [REDACTED] as the sole shareholder.

#### 5.5 Maintainable Income

5.5.1 In addition to the extraction of a lump sum in the short term, I have also considered the Company's ability to provide Mr [REDACTED] with an income over the next few years.

5.5.2 In section – 4.1 I have calculated that the maintainable earnings of the Company to be £[REDACTED]. Assuming that the Company pays corporation tax at a marginal rate of 19% and that its taxable profits broadly equate to its accounting profits, then I calculate that the Company will generate post-tax and post depreciation profits of £[REDACTED].

5.5.3 These profits could be distributed by way of a dividend or bonuses. Companies would be ill advised to pay out 100% of their profits since, to do so, would leave nothing to be re-invested in the company to fund its future growth and development. Assuming therefore, that [REDACTED]% of the profits were available to be distributed, Mr [REDACTED]'s share would be £[REDACTED].

5.5.4 In order to extract this amount of money the options available are:

- Bonus Payment
- Dividend Payment
- Director Loan

#### 5.5.1 Bonus Payment

5.5.2 Assuming no other income sources a salary/bonus would be taxed as follows in 22/23:

Table – 5.9

Tax Year 22/23 £	Tax %	Employee NI %	Employer NI %	Cumulative Income £
9,100	0.0	0.0	0.0	9,100
3,470	0.0	0.0	15.05	12,570
37,700	20.0	13.25	15.05	50,270
49,730	40.0	3.25	15.05	100,000
25,000	40.0*	3.25	15.05	125,270
25,000	40.0	3.25	15.05	150,000
1 <sup>+</sup>	45.0	3.25	15.05	150,001

\* - Over £100,000 each additional £2 of income loses £1 of the personal allowance of £12,570.

+ - Each additional £1.

5.5.3 Taking Mr [REDACTED]'s tax return from [REDACTED] and assuming the other income sources stay the same in 21/22 the payment of a bonus of £[REDACTED] would lead to the following tax liability thereon:

Table – 5.10

Income	Income Gross £	%	Tax £	Income Net £

Bonus		Tax-40% NI-2%		
<b>TOTAL</b>				

5.5.4 Dividends

5.5.5 Assuming no other income sources any dividends would be taxed as follows in 22/23:

Table – 5.11

Tax Year 22/23 £	Tax %	Employee NI %	Employer NI %	Cumulative Income £
12,570	0.0	0.0	0.0	12,570
2,000	0.0	0.0	0.0	14,570
37,700	8.75	0.0	0.0	52,270
49,730	33.75	0.0	0.0	100,000
25,000	33.75*	0.0	0.0	125,270
25,000	33.75	0.0	0.0	150,000
1 <sup>+</sup>	39.35	0.0	0.0	150,001

\* - Over £100,000 each additional £2 of income loses £1 of the personal allowance of £12,570.

+ - Each additional £1.

5.5.6 Taking Mr [REDACTED]'s tax return from [REDACTED] and assuming the other income sources stay the same in 20/21 the payment of a dividend of £[REDACTED] would lead to the following tax liability thereon:

Table – 5.12

Income	Income Gross £	%	Tax £	Income Net £
Dividend		Tax-32.5% NI-0%		
<b>TOTAL</b>				

5.5.7 To be most tax efficient the extraction of income would be best made as a small salary and the balance as a dividend. The following table sets out the proposed split:

Table – 5.13

Income	Income Gross £	%	Tax £	Income Net £
Salary				
Dividend				
<b>TOTAL</b>				

**5.5.8 Director Loan**

5.5.9 Another means of extracting value would be to pay funds to Mr [ ] so as to [increase his / create an] overdrawn directors' loan account. This would trigger tax equivalent to 32.5% of the loan, payable by the Company, nine months from the end of the accounting year in which the loan was made. Any tax paid in this way would be refunded to the Company as and when the loan was repaid.

5.5.10 If the director repaid the loan over several years, they might be able to keep their income under the higher rate tax band of £150,000.

**5.6 Any other issues**

5.6.1 It important to highlight that the tax rates used in this report are accurate as at [ ].

## 6. Summary of Conclusions

### 6.1 Value of [REDACTED] Limited

- 6.1.1 The gross value of the combined businesses is between £[REDACTED] and £[REDACTED]. The range given is based on how quickly the economy recovers from the Covid – 19 Pandemic.
- 6.1.2 After Capital Gains Tax and sales costs, the net value of the combined businesses is between £[REDACTED] and £[REDACTED].
- 6.1.3 In addition, there is a director loan account payable back to the company of £[REDACTED].

### 6.2 Value of [REDACTED] Limited – Minority (Discounted)

- 6.2.1 The gross value of the minority on a discounted basis is between £[REDACTED] and £[REDACTED]. The range given is based on how quickly the economy recovers from the Covid – 19 Pandemic.
- 6.2.2 After Capital Gains Tax and sales costs, the net value of the minority on a discounted basis is between £[REDACTED] and £[REDACTED].

### 6.3 Value of [REDACTED] Limited – Minority (Quasi-Partnership)

- 6.3.1 The gross value of the minority on a quasi-partnership basis is between £[REDACTED] and £[REDACTED]. The range given is based on how quickly the economy recovers from the Covid – 19 Pandemic.
- 6.3.2 After Capital Gains Tax and sales costs, the net value of the minority on a quasi-partnership basis is between £[REDACTED] and £[REDACTED].

### 6.4 Extraction of Value

- 6.4.1 I have calculated that the company could afford a one off distribution of £[REDACTED].
- 6.4.2 The following are the tax effects of the different distribution options:

Table – 6.1

Option – Tax Year 2021/22	Gross Extraction £	Tax Liability £	Net Extraction £
Bonus Payment			
Dividend Payment			
Director Loan			
Sale of Shares			
Company Buy Back of Shares			
Demerger			

### 6.5 Maintainable Income

- 6.5.1 I have calculated that the company could afford to pay an annual distribution of £[REDACTED], with £[REDACTED] being due to Mr [REDACTED].
- 6.5.2 The following are the tax effects of the different distribution options:

Table – 6.2

Option – Tax Year 2020/21	Gross Extraction £	Tax Liability £	Net Extraction £
Bonus Payment			
Dividend Payment			
Director Loan			

## 6.6 Any other issues

6.6.1 It important to highlight that the tax rates used in this report are accurate as at [REDACTED].



## 7. Expert's Declaration (Family Proceedings)

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### I RICHARD STONIER DECLARE THAT:

1. I understand that my duty in providing written reports and giving evidence is to help the Court, and that this duty overrides any obligation to the party by whom I am engaged or the person who has paid or is liable to pay me. I confirm that I have complied and will continue to comply with my duty.
2. I confirm that I have not entered into any arrangement where the amount or payment of my fees is in any way dependent on the outcome of the case.
3. I know of no conflict of interest of any kind, other than any which I have disclosed in my report.
4. I do not consider that any interest which I have disclosed affects my suitability as an expert witness on any issues on which I have given evidence.
5. I will advise the party by whom I am instructed if, between the date of my report and the trial, there is any change in circumstances which affect my answers to points 3 and 4 above.
6. I have shown the sources of all information I have used.
7. I have exercised reasonable care and skill in order to be accurate and complete in preparing this report.
8. I have endeavoured to include in my report those matters, of which I have knowledge or of which I have been made aware, that might adversely affect the validity of my opinion. I have clearly stated any qualifications to my opinion.
9. I have not, without forming an independent view, included or excluded anything which has been suggested to me by others, including my instructing lawyers.
10. I will notify those instructing me immediately and confirm in writing if, for any reason, my existing report requires any correction or qualification.
11. I understand that;
  - 11.1 My report will form the evidence to be given under oath or affirmation;
  - 11.2 Questions may be put to me in writing for the purposes of clarifying my report and that my answers shall be treated as part of my report and covered by my statement of truth;
  - 11.3 The court may at any stage direct a discussion to take place between experts for the purpose of identifying and discussing the expert issues in the proceedings, where possible reaching an agreed opinion on those issues and identifying what action, if any, may be taken to resolve any of the outstanding issues between the parties;
  - 11.4 The court may direct that following a discussion between the experts that a statement should be prepared showing those issues which are agreed, and those issues which are not agreed, together with a summary of the reasons for disagreeing;
  - 11.5 I may be required to attend court to be cross-examined on my report by a cross-examiner assisted by an expert;
  - 11.6 I am likely to be the subject of public adverse criticism by the judge if the Court concludes that I have not taken reasonable care in trying to meet the standards set out above.

12. I have read Part 25 of the Family Procedure Rules and the accompanying practice directions and I have complied with their requirements.

13. I have acted in accordance with the Code of Practice for Experts.

### STATEMENT OF TRUTH

I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.



Signature: .....

Date: ..... [ ]

## 8. Appendix – 1: A Copy of the CV for Richard Stonier

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**Mr Richard Stonier BSc (Econ) FCA ATT (Fellow) MAE**

### Curriculum Vitae

#### Qualifications, training, accreditation

Bachelor of Economic and Social Studies in Accounting and Finance (BSc (Econ)) with First Class Honours from the University of Wales, Aberystwyth dated 19 July 1996.

Fellow (FCA) of the Institute of Chartered Accountants in England and Wales (ICAEW). Member since 1 May 2000.

Fellow of the Association of Taxation Technicians (ATT). Member since 13 December 2011.

Member of The Academy of Experts from 1 July 2020.

Nominated person of Deans for firm membership of the Network of Independent Forensic Accountants (“NIFA”).

#### Past and present positions

Present position: Partner with Deans Accountants of Gibson House, Hurricane Court, Hurricane Close, Stafford, ST16 1GZ.  
(March 2011 to present).

Past positions: Senior Manager with Baker Tilly.  
(November 2002 to February 2011).

Manager with KPMG.  
(September 1996 to November 2002).

#### Principal professional specialisms

I specialise in audit, accountancy, tax and business advice to individuals, partnerships and corporate businesses. I have acted for entities in the public sector and private sector including listed entities, international groups and small owner managed businesses with turnovers ranging from a few thousand to multi-billion businesses. I am conversant in UK and International accounting standards.

I head up the Deans Forensic department and I have been preparing business valuations and forensic and taxation reports for various purposes for almost ten years including acting as an expert witness in matrimonial cases, trading standards cases and shareholder dispute cases. I take on engagements as either a single joint expert or as a party appointed expert as required.

#### Memberships of professional organisations

In addition to the ICAEW and ATT as disclosed above I am a full member of The Academy of Experts and through my firm (Deans) I am a member of the UK200 Group - the UK’s leading quality assured membership association of independent firms of chartered accountants, legal firms and international associates.

**Training, qualifications and accreditation as an expert witness**

I am a Member of The Academy of Experts.

I regularly attend forensic and Business Valuation update training courses run by the ICAEW, the Mercia Group and MBL Seminars. As part of my role as a general practice partner at Deans I attend regular update courses on accounting, audit and taxation.

I maintain CPD training records in accordance with guidance from the ICAEW.



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## 9. Appendix – 2: Solicitors Instructions

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Documents & Emails

## 11. Appendix – 4: List of Texts, Published Materials and Tax Statute Used

Text, Published Material, Tax Statute	Reason for Use
Tolley Yellow & Orange Tax Handbooks 2022-23	Copies of relevant tax statute. Specific sections noted below.
TCGA 1992 s169H-S	Business Asset Disposal relief provisions.
ITTOIA s396B	Capital distribution on a winding up treated as dividend income rather than capital if certain criteria met. i.e. may prevent applicability of Business Asset Disposal relief.
[REDACTED] Limited Website <a href="https://www.[REDACTED]">https://www.[REDACTED]</a>	Background information and business understanding.
NIFA News 30 The Newsletter from The Network of Independent Forensic Accountants <a href="http://www.nifa.co.uk">http://www.nifa.co.uk</a>	Article on the “Quasi-Partnership” question discussing various considerations for identifying quasi-partnerships.
IBISWorld Industry Reports <a href="http://www.ibisworld.co.uk">http://www.ibisworld.co.uk</a>	Reports used for market commentary and outlook: <ul style="list-style-type: none"> <li>[REDACTED]</li> <li>[REDACTED]</li> </ul>
Croner Salary Search <a href="https://my.croner.co.uk/">https://my.croner.co.uk/</a>	The Croner data is up to date market-based data that indicates the current salary rates, filtered by role, geography and industry.
Indeed Salary Search <a href="https://uk.indeed.com/career/salaries">https://uk.indeed.com/career/salaries</a>	No 1 Job Site in the World. Salary data based upon the latest market data on jobs by sector and location.
Financial Times <a href="https://www.ft.com/?edition=uk">https://www.ft.com/?edition=uk</a>	Industry data based upon the open markets. This is used to obtain comparable data relevant to the company.
UK200 Group Small and Medium Enterprises Valuation Index – November 2021 <a href="http://www.uk200group.co.uk/Bulletins">http://www.uk200group.co.uk/Bulletins</a>	An annual UK wide study into prices obtained in corporate finance transactions in the owner managed business marketplace.  Used to compare EBITDA multiples.
Private Company Price Index (PCPI) <a href="http://www.bdo.co.uk/en-gb/pcpi-publication-download">http://www.bdo.co.uk/en-gb/pcpi-publication-download</a>	A quarterly UK wide study into prices obtained in corporate finance transactions in the owner managed business marketplace.
MarktoMarket Indices <a href="http://www.marktomarket.io">http://www.marktomarket.io</a>	A half yearly UK wide study into prices obtained in corporate finance transactions in the owner managed business marketplace.

Text, Published Material, Tax Statute	Reason for Use
ICAEW Forensic & Expert Witness <a href="https://www.icaew.com/technical/legal-and-regulatory/forensic-and-expert-witness">https://www.icaew.com/technical/legal-and-regulatory/forensic-and-expert-witness</a>	Forensic & Expert Witness Community - Essential resources, news and support for forensic accountants and expert witnesses. Provides data on deals in specific industries.
Businesses for sale – Online Agent <a href="https://uk.businessesforsale.com/uk">https://uk.businessesforsale.com/uk</a>	Online marketplace providing details of businesses for sale. This can be tailored to specific business types and location.

## 12. Appendix – 5: CGT Rules

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### 12.5.1 TCGA 1992 s165 - Relief for gifts of business assets

12.5.2 It has been practice for HMRC to allow capital gains on business assets to be held over under s165 TCGA 1992 on transfers made in accordance with Court Orders under the Matrimonial Court Orders Act 1973 following the High Court case of G v G (2002) EWHC 1339 Fam. Consideration in the form of surrendered rights for their transfer was no longer deemed to have passed when a transfer was the result of an order for Ancillary Relief under the Matrimonial Causes Act 1973.

12.5.3 However, according to HMRC’s CGT Manual at CG66886, HMRC now consider that following Haines v Hill (2007) EWCA Civ 1284, the Court’s order now qualifies the value of the applicant’s statutory right by reference to the value of the money or property ordered to be transferred by the respondent. The value of the statutory right surrendered is regarded as being actual consideration for the assets received, which may restrict or preclude the availability of hold over relief on the transfer.

### 12.5.4 TCGA 1992 s169H-S – Business Asset Disposal Relief (BADR)

12.5.5 169H: Introduction

12.5.6 This Chapter provides for a lower rate of capital gains tax in respect of qualifying business disposals (to be known as “business asset disposal relief”).

12.5.7 The following are qualifying business disposals—

12.5.8 (i) a material disposal of business assets: see section 169I,

12.5.9 (ii) a disposal of trust business assets: not reproduced here.

12.5.10 (iii) a disposal associated with a relevant material disposal: see section 169K.

12.5.11 But in the case of certain qualifying business disposals, business asset disposal relief is given only in respect of disposals of relevant business assets comprised in the qualifying business disposal: see sections 169L and 169LA (not reproduced here).

12.5.12 Section 169M makes provision requiring the making of a claim for business asset disposal relief.

12.5.13 Sections 169N to 169P make provision as to the amount of business asset disposal relief.

12.5.14 169I: Material disposal of business assets

12.5.15 There is a material disposal of business assets where—

12.5.16 (i) an individual makes a disposal of business assets (see subsection (2)), and

12.5.17 (ii) the disposal of business assets is a material disposal (see subsections (3) to (7)).

12.5.18 For the purposes of this Chapter a disposal of business assets is—

12.5.19 (i) a disposal of the whole or part of a business,

12.5.20 (ii) a disposal of (or of interests in) one or more assets in use, at the time at which a business ceases to be carried on, for the purposes of the business, or

12.5.21 (iii) a disposal of one or more assets consisting of (or of interests in) shares in or securities of a company.

12.5.22 A disposal within paragraph (a) of subsection (2) is a material disposal if the business is owned by the individual throughout the period of 2 years ending with the date of the disposal.

12.5.23 A disposal within paragraph (b) of that subsection is a material disposal if—

- 12.5.24 (i) the business is owned by the individual throughout the period of 2 years ending with the date on which the business ceases to be carried on, and
- 12.5.25 (ii) that date is within the period of 3 years ending with the date of the disposal.
- 12.5.26 A disposal within paragraph (c) of subsection (2) is a material disposal if condition A, B, C or D is met.
- 12.5.27 Condition A is that, throughout the period of 2 years ending with the date of the disposal—
- 12.5.28 (i) the company is the individual's personal company and is either a trading company or the holding company of a trading group, and
- 12.5.29 (ii) the individual is an officer or employee of the company or (if the company is a member of a trading group) of one or more companies which are members of the trading group.
- 12.5.30 Condition B is that the conditions in paragraphs (a) and (b) of subsection (6) are met throughout the period of 2 years ending with the date on which the company—
- 12.5.31 (i) ceases to be a trading company without continuing to be or becoming a member of a trading group, or
- 12.5.32 (ii) ceases to be a member of a trading group without continuing to be or becoming a trading company,
- 12.5.33 and that date is within the period of 3 years ending with the date of the disposal.
- 12.5.34 If, in any case where an individual disposes of any shares in a company—
- 12.5.35 (i) there has been an issue of shares in the company to the individual following a relevant business transfer, and
- 12.5.36 (ii) any of the issued shares constitute, or otherwise form part of, the shares disposed of,
- 12.5.37 the conditions in subsection (6)(a) and (b) are to be treated as met in any period ending immediately before the transfer throughout which the individual owned the business.
- 12.5.38 For the purposes of subsection (7ZA), shares have been issued “following a relevant business transfer” if they have been issued wholly or partly in exchange for the transfer of a business as a going concern, together with the whole assets of the business or the whole of those assets other than cash.
- 12.5.39 Condition C is that—
- 12.5.40 (i) the assets disposed of are relevant EMI shares,
- 12.5.41 (ii) the option grant date is, or is before, the first date of the period of 2 years ending with the date of the disposal, and
- 12.5.42 (iii) throughout that period of 2 years—
- 12.5.43 (a) the company is either a trading company or the holding company of a trading group, and
- 12.5.44 (b) the individual is an officer or employee of the company or (if the company is a member of a trading group) of one or more companies which are members of the trading group.
- 12.5.45 Condition D is that—
- 12.5.46 (i) the assets disposed of are relevant EMI shares acquired by the individual before the cessation date,
- 12.5.47 (ii) the option grant date is, or is before, the first date of the period of 2 years ending with the cessation date,
- 12.5.48 the conditions in paragraph (c) of subsection (7A) are met throughout that period of 2 years, and
- 12.5.49 the cessation date is within the period of 3 years ending with the date of the disposal.

12.5.50 In this section “relevant EMI shares” means—

12.5.51 (i) shares of a company acquired by an individual to which subsection (7D) applies, or

12.5.52 (ii) shares of a company to which subsection (7F) applies.

12.5.53 169K: Disposal associated with relevant material disposal

12.5.54 There is a disposal associated with a relevant material disposal if—

12.5.55 (i) condition A1, A1A, A2 or A3 is met, and

12.5.56 (ii) conditions B, C and D are met.

12.5.57 Condition A1 is that an individual (“P”) makes a material disposal of business assets which consists of the disposal of the whole or part of P’s interest in the assets of a partnership, and—

12.5.58 (i) P’s disposed of interest is at least a 5% interest in the partnership’s assets, and

12.5.59 (ii) at the date of the disposal, no partnership purchase arrangements exist.

12.5.60 Condition A1A is that P makes a material disposal of business assets which consists of the disposal of the whole of P’s interest in the assets of a partnership, and—

12.5.61 (i) that interest is an interest of less than 5%,

12.5.62 (ii) P holds at least a 5% interest in the partnership’s assets throughout a continuous period of at least 3 years in the 8 years ending with the date of the disposal, and

12.5.63 (iii) at the date of the disposal, no partnership purchase arrangements exist.

12.5.64 Condition A2 is that P makes a material disposal of business assets which consists of the disposal of shares in a company, all or some of which are ordinary shares, and at the date of the disposal—

12.5.65 the ordinary shares disposed of constitute at least 5% of the company’s ordinary share capital and are shares in the individual’s personal company (and section 169S(3A)(a) to (c) apply here but as if the reference to the final day of the period mentioned in section 169S(3A)(a) were to the date of the disposal), and

12.5.66 (i) no share purchase arrangements exist.

12.5.67 (ii) But condition A2 is not met if the disposal of shares is a disposal by virtue of section 122, other than such a disposal treated as made in consideration of a capital distribution from a company which is made in the course of dissolving or winding up the company.

12.5.68 Condition A3 is that P makes a material disposal of business assets which consists of the disposal of securities of a company, and at the date of the disposal—

12.5.69 (i) the securities disposed of constitute at least 5% of the value of the securities of the company, and

12.5.70 (ii) no share purchase arrangements exist.

12.5.71 Condition B is that P makes the disposal as part of P’s withdrawal from participation in the business carried on by the partnership or by the company or (if the company is a member of a trading group) a company which is a member of the trading group.

12.5.72 The disposal mentioned in condition B is not treated as part of P’s withdrawal from participation in the business carried on by a partnership if at the date of that disposal there exist any partnership purchase arrangements.

12.5.73 Condition C is that, throughout the period of 2 years ending with the earlier of—

12.5.74 (i) the date of the material disposal of business assets, and

- 12.5.75 (ii) the cessation of the business of the partnership or company,
- 12.5.76 the assets which (or interests in which) are disposed of are in use for the purposes of the business.
- 12.5.77 Condition D is that the disposal mentioned in condition B is of an asset which P owns throughout the period of 3 years ending with the date of that disposal.
- 12.5.78 For the purposes of this Chapter the disposal mentioned in Condition B is the disposal associated with a relevant material disposal.
- 12.5.79 For the purposes of this section, in relation to a material disposal of business assets and a disposal mentioned in condition B, arrangements are not partnership purchase arrangements or share purchase arrangements if they were made before both disposals and without regard to either of them.
- 12.5.80 169L: Relevant business assets
- 12.5.81 If a qualifying business disposal is one which does not consist of the disposal of (or of interests in) shares in or securities of a company, business asset disposal relief is given only in respect of the disposal of relevant business assets comprised in the qualifying business disposal.
- 12.5.82 This subsection applies to assets which—
- 12.5.83 (i) in the case of a material disposal of business assets, are assets used for the purposes of a business carried on by the individual or a partnership of which the individual is a member,
- 12.5.84 (ii) in the case of a disposal of trust business assets, are assets used for the purposes of a business carried on by the qualifying beneficiary or a partnership of which the qualifying beneficiary is a member, or
- 12.5.85 (iii) in the case of a disposal associated with a relevant material disposal, are assets used for the purposes of a business carried on by the partnership or company.
- 12.5.86 The following are excluded assets—
- 12.5.87 (i) shares and securities, and
- 12.5.88 (ii) assets, other than shares or securities, which are held as investments.
- 12.5.89 TCGA 1992 s222 – 223 – Principal Private Residence**
- 12.5.90 222(1) This section applies to a gain accruing to an individual so far as attributable to the disposal of, or of an interest in—
- 12.5.91 (a) a dwelling-house or part of a dwelling-house which is, or has at any time in his period of ownership been, his only or main residence, or
- 12.5.92 (b) land which he has for his own occupation and enjoyment with that residence as its garden or grounds up to the permitted area.
- 12.5.93 222(2) In this section “the permitted area” means, subject to subsections (3) and (4) below, an area (inclusive of the site of the dwelling-house) of 0.5 of a hectare.
- 12.5.94 222(3) Where the area required for the reasonable enjoyment of the dwelling-house (or of the part in question) as a residence, having regard to the size and character of the dwelling-house, is larger than 0.5 of a hectare, that larger area shall be the permitted area.
- 12.5.95 222(4) Where part of the land occupied with a residence is and part is not within subsection (1) above, then (up to the permitted area) that part shall be taken to be within subsection (1) above which, if the remainder were separately occupied, would be the most suitable for occupation and enjoyment with the residence.

- 12.5.96 222(5) So far as it is necessary for the purposes of this section to determine which of 2 or more residences is an individual's main residence for any period—
- 12.5.97 (a) the individual may conclude that question by notice to an officer of the Board given within 2 years from the beginning of that period but subject to a right to vary that notice by a further notice to an officer of the Board as respects any period beginning not earlier than 2 years before the giving of the further notice.
- 12.5.98 (b) ...
- 12.5.99 222(6) But a notice or further notice under subsection (5)(a) determining which of 2 or more residences is an individual's main residence for any period may be given more than 2 years from the beginning of the period if during the period the individual has not held an interest of more than a negligible market value in more than one of the residences.
- 12.5.100 222(7) In the case of an individual living with his spouse or civil partner—
- 12.5.101 (a) there can only be one residence or main residence for both, so long as living together and, where a notice under subsection (5)(a) above affects both the individual and his spouse or civil partner, it must be given by both.
- 12.5.102 (b) ...
- 12.5.103 222(8) Where an individual has determined, by giving notice under subsection (5)(a), that a residence is the individual's main residence, that determination does not cease to be effective at any time by reason only of the fact that, at that time, another of the individual's residences is treated by section 222B(1) as not being occupied as a residence (or, having been so treated, is no longer so treated).
- 12.5.104 222(9) In this section and sections 222A to 226, “the period of ownership” where the individual has had different interests at different times shall be taken to begin from the first acquisition taken into account in arriving at the expenditure which under Chapter III of Part II is allowable as a deduction in the computation of the gain to which this section applies, and in the case of an individual living with his spouse or civil partner—
- 12.5.105 (a) if the one disposes of, or of his or her interest in, a dwelling-house or part of a dwelling-house to the other, and in particular if it passes on death to the other as legatee, the other's period of ownership shall begin with the beginning of the period of ownership of the one making the disposal, and
- 12.5.106 (b) if paragraph (a) above applies, but the dwelling-house or part of a dwelling-house was not the only or main residence of both throughout the period of ownership of the one making the disposal, account shall be taken of any part of that period during which it was his only or main residence as if it was also that of the other.
- 12.5.107 222(10) If at any time during an individual's period of ownership of a dwelling-house or part of a dwelling-house he—
- 12.5.108 (a) resides in living accommodation which is for him job-related, and
- 12.5.109 (b) intends in due course to occupy the dwelling-house or part of a dwelling-house as his only or main residence,
- 12.5.110 this section and sections 223 to 226 shall apply as if the dwelling-house or part of a dwelling-house were at that time occupied by him as a residence.
- 12.5.111 222(11) Subject to subsections (8B), (8C) and (9) below, for the purposes of subsection (8) above living accommodation is job-related for a person if—
- 12.5.112 (a) it is provided for him by reason of his employment, or for his spouse or civil partner by reason of the spouse's or civil partner's employment, in any of the following cases—



- 12.5.113 (i) where it is necessary for the proper performance of the duties of the employment that the employee should reside in that accommodation;
- 12.5.114 (ii) where the accommodation is provided for the better performance of the duties of the employment, and it is one of the kinds of employment in the case of which it is customary for employers to provide living accommodation for employees;
- 12.5.115 (iii) where, there being a special threat to the employee's security, special security arrangements are in force and the employee resides in the accommodation as part of those arrangements;
- 12.5.116 Or
- 12.5.117 (b) under a contract entered into at arm's length and requiring him or his spouse or civil partner to carry on a particular trade, profession or vocation, he or his spouse or civil partner is bound—
- 12.5.118 (i) to carry on that trade, profession or vocation on premises or other land provided by another person (whether under a tenancy or otherwise); and
- 12.5.119 (ii) to live either on those premises or on other premises provided by that other person; or
- 12.5.120 (c) an armed forces accommodation allowance for or towards costs of the accommodation is paid to, or in respect of, the person or the person's spouse or civil partner.
- 12.5.121 222(12) If the living accommodation is provided by a company and the employee is a director of that or an associated company, subsection (8A)(a)(i) or (ii) above shall not apply unless—
- 12.5.122 (a) the company of which the employee is a director is one in which he or she has no material interest; and
- 12.5.123 (b) either—
- 12.5.124 (i) the employment is as a full-time working director, or
- 12.5.125 (ii) the company is non-profit making, that is to say, it does not carry on a trade nor do its functions consist wholly or mainly in the holding of investments or other property, or
- 12.5.126 (iii) the company is a charitable company.
- 12.5.127 222(13) Subsection (8A)(b) above does not apply if the living accommodation concerned is in whole or in part provided by—
- 12.5.128 (a) a company in which the borrower or his spouse or civil partner has a material interest; or
- 12.5.129 (b) any person or persons together with whom the borrower or his spouse or civil partner carries on a trade or business in partnership.
- 12.5.130 222(14) For the purposes of this section—
- 12.5.131 (a) a company is an associated company of another if one of them has control of the other or both are under the control of the same person; and
- 12.5.132 (b) "employment", "director", "full-time working director", "material interest" and "control", in relation to a body corporate, have the same the meanings given by Chapter 2 of Part 3 of ITEPA 2003; and
- 12.5.133 (c) "armed forces accommodation allowance" means an allowance which is exempt from income tax by reason of section 297D of ITEPA 2003.
- 12.5.134 222(15) Subsections (8A)(b) and (8C) above shall apply for the purposes of subsection (8) above only in relation to residence on or after 6th April 1983 in living accommodation which is job-related for the purposes of that subsection.
- 12.5.135 222(16) Apportionments of consideration shall be made wherever required by this section or sections 223 to 226 and, in particular, where a person disposes of a dwelling-house only part of which is his only or main residence.

- 12.5.136 223(1) No part of a gain to which section 222 applies shall be a chargeable gain if the dwelling-house or part of a dwelling-house has been the individual's only or main residence throughout the period of ownership, or throughout the period of ownership except for all or any part of the last 9 months of that period.
- 12.5.137 223(2) Where subsection (1) above does not apply, a fraction of the gain shall not be a chargeable gain, and that fraction shall be—
- 12.5.138 (a) the length of the part or parts of the period of ownership during which the dwelling-house or the part of the dwelling-house was the individual's only or main residence, but inclusive of the last 9 months of the period of ownership in any event, divided by
- 12.5.139 (b) the length of the period of ownership.
- 12.5.140 223(3) For the purposes of sections 222(5) and 222A and subsections (1) and (2) above—
- 12.5.141 (a) a period of absence not exceeding 3 years (or periods of absence which together did not exceed 3 years), and in addition
- 12.5.142 (b) any period of absence throughout which the individual worked in an employment or office all the duties of which were performed outside the United Kingdom or lived with a spouse or civil partner who worked in such an employment or office, and in addition
- 12.5.143 (c) any period of absence not exceeding 4 years (or periods of absence which together did not exceed 4 years) throughout which the individual was prevented from residing in the dwelling-house or part of the dwelling-house in consequence of the situation of his place of work or in consequence of any condition imposed by his employer requiring him to reside elsewhere, being a condition reasonably imposed to secure the effective performance by the employee of his duties, and in addition,
- 12.5.144 (d) any period of absence not exceeding 4 years (or periods of absence which together did not exceed 4 years) throughout which the individual lived with a spouse or civil partner in respect of whom paragraph (c) applied in respect of that period (or periods),
- 12.5.145 shall be treated as if in that period of absence the dwelling-house or the part of the dwelling-house were occupied by the individual as a residence if conditions A and B are met.
- 12.5.146 223(4) Condition A is that before the period there was a time when the dwelling-house was the individual's only or main residence.
- 12.5.147 223(5) Condition B is that after the period—
- 12.5.148 (a) in a case falling within paragraph (a), (b), (c) or (d) of subsection (3), there was a time when the dwelling-house was the individual's only or main residence,
- 12.5.149 (b) in a case falling within paragraph (b), (c) or (d) of that subsection, the individual was prevented from resuming residence in the dwelling-house in consequence of the situation of the individual's place of work or a condition imposed by the terms of the individual's employment requiring the individual to reside elsewhere, being a condition reasonably imposed to secure the effective performance by the employee of his duties, or
- 12.5.150 (c) in a case falling within paragraph (b), (c) or (d) of that subsection, the individual lived with a spouse or civil partner to whom paragraph (b) of this subsection applied.
- 12.5.151 223(6) ...
- 12.5.152 223(7) ...
- 12.5.153 223(8) ...
- 12.5.154 223(9) In this section "period of ownership"—
- 12.5.155 (a) does not include any period before 31 March 1982, and

- 12.5.156 (b) where the whole or part of the gain to which section 222 applies is a residential property gain (as defined by Schedule 1B) which is chargeable to capital gains tax because of section 1A(3)(b), does not include any period before 6 April 2015 (but see subsection (7A)).
- 12.5.157 223(10 Paragraph (b) of the definition of “period of ownership” does not apply in a case where paragraph 8 or 14 of Schedule 4AA applies (the individual has made an election for the retrospective basis of computation to apply).
- 12.5.158 223(11) In this section “period of absence” means a period during which the dwelling-house or the part of the dwelling-house was not occupied by the individual as a residence.
- 12.5.159 TCGA 1992 s248A-E – Roll-over relief on disposal of joint interests in land**
- 12.5.160 248A: Roll-over relief on disposal of joint interests in land: conditions
- 12.5.161 Section 248B applies where conditions A to E are met.
- 12.5.162 Condition A is that a person (“the landowner”) and one or more other persons jointly hold—
- 12.5.163 (i) a holding of land, or
- 12.5.164 (ii) two or more separate holdings of land.
- 12.5.165 Condition B is that the landowner disposes of an interest (“the relinquished interest”) in—
- 12.5.166 (i) the holding, or
- 12.5.167 (ii) one or more of the holdings,
- 12.5.168 to the co-owner or to one or more of the co-owners.
- 12.5.169 Condition C is that the consideration for the disposal is or includes an interest (“the acquired interest”) in a holding of land held jointly by the landowner and one or more of the co-owners.
- 12.5.170 Condition D is that as a consequence of the disposal (taken together with any related disposals) the landowner and each of the co-owners become—
- 12.5.171 (i) in a case falling within subsection (2)(a), the sole owner of part of the holding, or
- 12.5.172 (ii) in a case falling within subsection (2)(b), the sole owner of one or more of the holdings.
- 12.5.173 Condition E is that the acquired interest is not an interest in excluded land (see section 248C).
- 12.5.174 For the purposes of this section—
- 12.5.175 references to a holding of land include references to an estate or interest in a holding of land, and are to be read in accordance with section 243(3);
- 12.5.176 references to holding land jointly are to holding land—
- 12.5.177 (i) in England and Wales, as joint tenants or tenants in common,
- 12.5.178 (ii) in Scotland, as joint owners or owners in common, or
- 12.5.179 (iii) in Northern Ireland, as joint tenants, tenants in common or coparceners;
- 12.5.180 “co-owner” means any person who holds a holding of land jointly with the landowner;
- 12.5.181 a related disposal (in relation to a disposal mentioned in condition B) is a disposal of an interest in the holding, or in one or more of the holdings, which is made—
- 12.5.182 (i) by the landowner to a co-owner, or

- 12.5.183 (ii) by a co-owner to the landowner or another co-owner,
- 12.5.184 at the same time as the disposal mentioned in that condition;
- 12.5.185 spouses who are living together, or civil partners who are living together, are together treated as a landowner or a co-owner.
- 12.5.186 248B: Calculation of relief
- 12.5.187 If the amount or value of the consideration for the disposal of the relinquished interest is equal to or less than the amount or value of the consideration for the acquired interest, the landowner, on making a claim, is to be treated for the purposes of this Act—
- 12.5.188 as if the consideration for the disposal of the relinquished interest were of such amount as would secure that on the disposal neither a gain nor a loss accrues to the landowner, and
- 12.5.189 as if the amount or value of the consideration for the acquired interest were reduced by the excess of the amount or value of the consideration for the disposal of the relinquished interest over the amount of the consideration which the landowner is treated as receiving under paragraph (a).
- 12.5.190 Where the amount or value of the consideration for the disposal of the relinquished interest exceeds the amount or value of the consideration for the acquired interest, then if the excess (“the unexpended consideration”) is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal of the relinquished interest, the landowner on making a claim is to be treated for the purposes of this Act—
- 12.5.191 as if the amount of the gain so accruing were reduced to the amount of the unexpended consideration (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain), and
- 12.5.192 as if the amount or value of the consideration for the acquired interest were reduced by the amount by which the gain is reduced (or, as the case may be, the amount by which the chargeable gain is proportionately reduced) under paragraph (a).
- 12.5.193 Subsections (1) and (2) are subject to section 248C(3).
- 12.5.194 Nothing in subsection (1) or (2) affects the treatment for the purposes of this Act of a co-owner (within the meaning given by section 248A(7)).
- 12.5.195 Where subsection (1)(a) applies to exclude a gain which, in consequence of Schedule 2 (assets held on 6th April 1965) is not all chargeable gain, the amount of the reduction to be made under subsection (1)(b) shall be the amount of the chargeable gain, and not the whole amount of the gain.
- 12.5.196 248C: Excluded land
- 12.5.197 Land is excluded land to the extent that—
- 12.5.198 it is a dwelling-house or part of a dwelling-house (or an interest in or right over a dwelling-house), and
- 12.5.199 by virtue of, or of any claim under, any provision of sections 222 to 226 (private residences) the whole or any part of a gain accruing on a disposal of it by the landowner at a material time would not be a chargeable gain.
- 12.5.200 In subsection (1)(b), “a material time” means any time during the period of 6 years beginning on the date of the acquisition of the acquired interest.

- 12.5.201 If land was not excluded land at the date of the acquisition of the acquired interest but becomes excluded land within 6 years of the acquisition, the amount of any chargeable gain accruing on the disposal of the relinquished interest shall be re-determined without regard to any relief previously given under section 248B by reference to the amount or value of the consideration for the acquisition of the interest in that land.
- 12.5.202 Any adjustments of capital gains tax in accordance with subsection (3), whether by way of assessment or otherwise, may be made at any time, despite anything in section 34 of the Management Act (time limit for assessments).
- 12.5.203 Expressions used in this section have the same meaning as in section 248A.
- 12.5.204 248D: Milk quotas
- 12.5.205 This section applies where—
- 12.5.206 section 248B applies to a holding (or holdings) of land, and
- 12.5.207 milk quota is associated with the holding in which the relinquished interest is held and with the holding in which the acquired interest is held.
- 12.5.208 Section 248B(1), (2) and (4) apply—
- 12.5.209 to the disposal of quota associated with the holding in which the relinquished interest is held as they apply to the disposal of that interest, and
- 12.5.210 to the acquisition of quota associated with the holding in which the acquired interest is held as they apply to the acquisition of that interest.
- 12.5.211 248E: Relief on disposal of joint interests in private residence
- 12.5.212 This section applies where conditions A to E are met.
- 12.5.213 Condition A is that a person (“the landowner”) and one or more other persons jointly hold an interest in two or more dwelling-houses.
- 12.5.214 Condition B is that the landowner disposes of an interest (“the relinquished interest”) in one or more of the dwelling-houses to the co-owner or to one or more of the co-owners.
- 12.5.215 Condition C is that the consideration for the disposal is or includes an interest (“the acquired interest”) in one of the other dwelling-houses.
- 12.5.216 Condition D is that as a consequence of the disposal (taken together with any related disposals)—
- 12.5.217 the dwelling-house in which the landowner acquires an interest becomes the only or main residence of the landowner, and
- 12.5.218 each of the other dwelling-houses becomes the only or main residence of one (and only one) of the co-owners.
- 12.5.219 Condition E is that if each dwelling-house were disposed of immediately after the disposal (or disposals) mentioned in subsection (5) then by virtue of sections 222, 223 and 223B (private residences) no part of the gain accruing on each of those disposals would be a chargeable gain.
- 12.5.220 The landowner, on making a claim jointly with the co-owner or co-owners, shall be treated for the purposes of this Act—

- 12.5.221 as if the consideration for the disposal of the relinquished interest were of such amount as would secure that on the disposal neither a gain nor a loss accrues, and
- 12.5.222 as if the acquired interest were acquired by the landowner—
- 12.5.223 at the time it was acquired jointly by the landowner and the co-owner or co-owners, and
- 12.5.224 for a consideration equal to the amount of the sums that would have been allowable under section 38(1)(a) and (b) (acquisition and disposal costs etc) as a deduction in the computation of any gain on a disposal of the acquired interest by the co-owner or co-owners.
- 12.5.225 For the purposes of this section—
- 12.5.226 “co-owner” means any person who holds an interest in a dwelling-house jointly with the landowner;
- 12.5.227 references to holding land jointly are to holding land—
- 12.5.228 (i) in England and Wales, as joint tenants or tenants in common,  
12.5.229 (ii) in Scotland, as joint owners or owners in common, or  
12.5.230 (iii) in Northern Ireland, as joint tenants, tenants in common or coparceners;
- 12.5.231 a related disposal (in relation to a disposal mentioned in condition B) is a disposal of an interest in a dwelling-house which is made—
- 12.5.232 by the landowner to a co-owner, or
- 12.5.233 by a co-owner to the landowner or another co-owner,
- 12.5.234 at the same time as the disposal mentioned in that condition;
- 12.5.235 spouses who are living together, or civil partners who are living together, are together treated as a landowner or a co-owner.

## 13. Appendix – 6: Site Visit Notes

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- 12.1.1 Copies of all email communications have been passed to both solicitors and the emails are listed in Appendix – 3. This section details the other discussions held with relevant parties, either at site visits / meetings or telephone conversations.
- 12.1.2 A virtual meeting was held on [ ] between [ ] and [ ]. Mr and Mrs [ ] were both present.
- 12.1.3 During the meeting I briefly set out my role and how a business valuation is calculated. We asked questions covering the following points and gave Mr and Mrs [ ] the opportunity to ask questions.
- 12.1.4 The following table sets out the points discussed with Mr and Mrs [ ] on [ ]. It was agreed at the start of the meeting that Mr [ ] would answer the questions and Mrs [ ] would speak up if she felt there was anything additional to add.

Table – 12.5.1

Area of Interest	Comment From	Response
Business history	Mr [REDACTED]	
Business history	Mr [REDACTED]	
Mission / Objectives / Strategy	Mr [REDACTED]	
SWOT	Mr [REDACTED]	
Shareholder agreement	Mr [REDACTED]	
Quasi partnership attributes	Mr [REDACTED]	
Role of Directors in the business	Mr [REDACTED]	
Remuneration strategy including dividends	Mr [REDACTED]	
Equivalent pay for role performed by Directors in the business if an external person was recruited	Mr [REDACTED]	
Family members involved in business	Mr [REDACTED]	
Number of staff	Mr [REDACTED]	
Key staff members & specialist skills	Mr [REDACTED]	
Company pension	Mr [REDACTED]	
Bonuses / share option schemes	Mr [REDACTED]	



Area of Interest	Comment From	Response
Payroll data for all staff	Mr [redacted]	
Brand name	Mr [redacted]	
Patents, trademarks & licences	Mr [redacted]	
Sales avenues – product / geography	Mr [redacted]	
Product unique selling points	Mr [redacted]	
Marketing / advertising	Mr [redacted]	
Newspapers & media articles	Mr [redacted]	
Manufacturing processes and facilities	Mr [redacted]	
Customers & concentration risk	Mr [redacted]	
Aged debtors report	Mr [redacted]	
Customer loyalty	Mr [redacted]	
Suppliers & supply agreements	Mr [redacted]	
Aged creditors	Mr [redacted]	
Competitors	Mr [redacted]	
Equivalent listed / big businesses	Mr [redacted]	
Working capital requirements / spare cash	Mr [redacted]	
Surplus assets	Mr [redacted]	

Area of Interest	Comment From	Response
Cash flow forecast / history	Mr [redacted]	
Accounting records	Mr [redacted]	
Exceptional / one off costs	Mr [redacted]	
Current, pending or threatened litigation	Mr [redacted]	
Details of any offers to buy the business	Mr [redacted]	
Forecasts	Mr [redacted]	
Gearing & debt providers	Mr [redacted]	
Bank relationship	Mr [redacted]	
Tax payment history & HMRC debts & track record	Mr [redacted]	
R&D tax credits	Mr [redacted]	
Capital position	Mr [redacted]	
Fixed asset register	Mr [redacted]	
Technology & efficiency improvements	Mr [redacted]	
Premises details	Mr [redacted]	
Capacity of current facilities	Mr [redacted]	
Legislation & regulation	Mr [redacted]	
Director loan accounts	Mr [redacted]	

Area of Interest	Comment From	Response
Guarantees and warranties	Mr [REDACTED]	
Other points to note	Mr [REDACTED]	

## 14. Appendix – 7: Third party data sources

### 13.1.1 IBISWorld Industry Report

13.1.2 IBISWorld provides industry intelligence that analyses the performances of 400+ UK industries. Each industry report provides the most detailed performance data and analysis on the market, including supply chain information, forecasts, risk scores, operating strengths and weaknesses, analysis of external drivers, major player market strategies, and industry profit and cost benchmarks.

13.1.3 The reports are published at the five-digit level of the United Kingdom Standard Industrial Classification (UK SIC).

13.1.4 For [REDACTED] Limited we have obtained the following IBISWorld Reports:

- [REDACTED]
- [REDACTED]

13.1.5 These reports have not been appended to this report but are available on request. A summary of the key points from the reports is given below:

### 13.1.6 [REDACTED]

Table – 13.6.1

Subject	Data
Key Statistics	
Key Trends	
SWOT	Strengths <ul style="list-style-type: none"> <li>•</li> </ul> Weaknesses <ul style="list-style-type: none"> <li>•</li> </ul> Opportunities <ul style="list-style-type: none"> <li>•</li> </ul> Threats <ul style="list-style-type: none"> <li>•</li> </ul>
Executive Summary	
Key External Drivers	
Current Industry Performance	
Industry Outlook	
Market Share Concentration	
Key Success factors	

Subject	Data
Basis of Competition	
Barriers to Entry	
Major Companies	
Brexit Impact	

13.1.7 [REDACTED]

Table – 13.6.2

Subject	Data
Key Statistics	
Key Trends	
SWOT	Strengths <ul style="list-style-type: none"> <li>•</li> </ul> Weaknesses <ul style="list-style-type: none"> <li>•</li> </ul> Opportunities <ul style="list-style-type: none"> <li>•</li> </ul> Threats <ul style="list-style-type: none"> <li>•</li> </ul>
Executive Summary	
Key External Drivers	
Current Industry Performance	
Industry Outlook	
Market Share Concentration	
Key Success Factors	
Basis of Competition	
Barriers to Entry	
Major Companies	
Brexit Impact	

**13.1.8 Croner Salary Search**

13.1.9 An online portal to search 50,000 jobs, across 34 sectors, over 154 areas in a matter of minutes. SalarySearch is an easy-to-use salary benchmarking tool that gives instant data on the market rate for job roles across the UK.

13.1.10 SalarySearch always gives the most up-to-date data available, collected and analysed by professional salary comparison experts.

13.1.11 The following data was extracted from the search on [REDACTED]:

*Table – 13.6.3*

<b>Role Criteria</b>	<b>National Median</b>	<b>Turnover Median</b>	<b>Industry Median</b>	<b>Region Median</b>	<b>Average Excluding National</b>
	£	£	£	£	£
<b>Mrs [REDACTED]</b>					
Assistant Administrator £3-10m Turnover Service industry (misc) West Midlands					
<b>Mr [REDACTED]</b>					
Managers Director / Chief Executive £3-10m Turnover Service industry (misc) West Midlands					
Sales Manager £3-10m Turnover Service industry (misc) West Midlands					
<b>Total of combined role</b>					
<b>Mr [REDACTED]</b>					
Business Development Manager (Sales) £3-10m Turnover Service industry (misc) West Midlands					



13.1.20 The private company EV/EBITDA is calculated from publicly available financial information on deals that complete in each quarter. As private companies are generally owner-managed, reported or disclosed profits tend to be suppressed by various expenses that may be non-recurring under a new owner. This will have been factored into the price the purchaser paid but may not be reflected in the profits declared to the public. The effect of this is that the EV/EBITDA paid as calculated from the publicly available information may be overstated. The PCPI/PEPI is calculated as the median of EV/EBITDA for deals where sufficient information has been disclosed.

13.1.21 The PCPI/PEPI is an average measure and a guide, not an absolute measure of value, as there are many other factors that can have an impact on value. The PCPI is calculated based on over 2,000 deals per calendar year.

Table – 13.6.6

As at	Median EBITDA
Q1 – 2022	10.7
Q4 – 2021	11.4
Q3 – 2021	10.6
Q2 – 2021	10.2
Q1 – 2021	10.6
Q4 – 2020	10.2
Q3 – 2020	10.6

### 13.1.22 MarktoMarket Indices

13.1.23 MarktoMarket, the valuation data provider, has launched the UK’s first collection of sector and size-based M&A indices. Based on a sample of circa 800 deals per year. The multiple data given is EV/EBITDA and EV/Revenue.

13.1.24 MarktoMarket’s dataset contains tens of thousands of announced and unannounced deals, classified by sector using proprietary taxonomy. MarktoMarket’s indices demonstrate how deal multiples vary by sector over a time series.

13.1.25 Reviewing MarktoMarket from ..... 2022 the following comparable companies / sectors have been identified and averaged:

Table – 19.6

Company	Acquirer	Enterprise Value (Market Cap + Debt – Cash)	EBITDA (most recent results)	EBITDA Multiple
		£m	£m	x
<b>AVERAGE</b>				

### 13.1.26 Business Valuation Benchmarks Ltd – BVB Insights

13.1.27 BVB Insights is an independent report published annually on transaction data from UK private businesses. The report is an in-depth overview of transaction multiples paid for UK private companies for the year in question.

13.1.28 The report breaks the data down to 11 sectors and over 40 sub-sectors plus commentary on current trends and expected developments. The 11 sectors are:



- Consumer discretionary
- Consumer staples
- Energy
- Financials (excluding banks)
- Healthcare
- Industrials
- Industrials – services
- Information technology
- Chemicals and materials
- Telecommunications
- Utilities

13.1.29 The report covers number of deals, average deal size, average revenue, average EBITDA, average EBITDA margin, EV / Revenue and EV / EBITDA.

13.1.30 The relevant sectors of industrials that apply to [redacted] Limited are set out below:

*Table – 13.6.8*

Sub-Sector	Number of transactions	Average transaction size £m	EBITDA multiple



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## 15. Appendix – 8: Any other relevant issues

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No other relevant issues have arisen during this exercise.