

## COMMERCIAL DEPARTMENT CASE STUDIES



### SOLICITOR



#### Mignonette Ellis

- Cash extraction from limited company
- Distribution of proceeds before completion of sale of limited company.

### CASH EXTRACTION FROM LIMITED COMPANY

A client wanted to extract all of the cash in his business before it was sold. Legislation, tax implications and the instructions of the buyer meant that it was not as simple as making a bank transfer. Provisions were incorporated into the business sale agreement that allowed a fixed amount to be held by the seller's solicitor until the accountant had prepared completion accounts that reflected the cash in the company. The fixed amount was paid by the buyer, being the anticipated sum of cash left in the business as the completion date. Any excess of the accountant's figure would be paid by the buyer to the seller and any shortfall would be paid by the seller to the buyer. The extraction of all the cash would have impacted to continuation of the business at completion therefore the mechanisms included in the business sale agreement allowed for the seller to extract the equivalent sum of cash in the business while the business continued to operate.

### DISTRIBUTION OF PROCEEDS BEFORE COMPLETION OF SALE OF LIMITED COMPANY.

If a limited company owns property, subject to further agreement, the property will form part of the purchase. A buyer wanted to purchase the company but wanted to purchase the freehold property owned by the limited company separately. This structure would result in the sale proceeds for the freehold property belonging to the company as opposed to going directly to the seller of the limited company. To direct the proceeds to the seller, the funds were held by us and distributed as a pre-completion dividend so the seller was able to collect the sales proceeds from the sale of the property.



"Mignonette, was clear with her instructions and her explanations and responded in good time to any questions raised and where we perhaps had difficulty in understanding, she provided further clarity, without hesitation. It really was a pleasure, so thank you very much."