

# Liquidity Consideration

## Are there any liquid assets?

- Assessment of the working capital requirements of the business
- Identification of surplus or investment assets such as investments, property and cash
- Ability to raise additional finance for example, through sale and leaseback of plant, stock loans, invoice discounting
- Assessment of the tax consequences of realising assets

## Can those assets be extracted from the company?

- Do the other shareholders and stakeholders agree to the extractions?
- Does it impact on the directors fiduciary and statutory duties to the company and its creditors?
- Identification of available methods for extraction, for examples through directors' loan accounts, dividends, bonuses, employee benefit trusts or sales of shares
- Assessment of the tax consequences of extracting funds from the company.

## Methods of extraction, where cash is available

- Earnings
- Dividends if the company has sufficient distributable reserves
- Drawings, but if a partnership requires the agreement of all partners
- Repayment of director's loans to a company
- Company lends money, but this incurs a tax charge
- Company buy back of own shares from departing shareholder