

## BEER MAT MENTORING MEETING NOTES

### (6) Business structure and name

Before you hurl the bottle of champagne at your shiny new business and send it down the slipway to success, you need to decide on your legal form of business. If you have a farm or other business, it could start as a project while you test the water. But at some point you need to consider the options.

A **sole trader** essentially this means self-employment (but you can have employees). Simple accounting, low National Insurance and you can trade in your own name with your existing bank account. But sole traders have 'unlimited liability' meaning that you are responsible for any debt; so if it all goes belly up it could bankrupt you. Worth considering if you offer personal or professional services, but take out Professional Indemnity Insurance so you're covered if you make a mistake.

A **partnership** is similar to a sole trader, but you share ownership with a business partner. Ask a lawyer to draw up a partnership agreement before the business is actually worth anything. Sure, you're good friends but once there is real money at stake things can change fast.

A **private limited company** (company limited by shares) is a legal 'body' that isn't you. They can be set up on line easily and cheaply. Liability is limited, so if it goes pear shaped, in theory, the business not you goes bankrupt. In practice, if you have a bank loan, the bank will probably have insisted on personal guarantees so you still stuffed. You'll need to register at Companies House and submit an annual report and accounts. If you have more than one shareholder, ask a lawyer to draw up a shareholder agreement.

Private limited companies can be limited by shares (which means that profits can be paid out to shareholders as dividends); or limited by guarantee (which has members instead of shareholders and profits cannot be distributed, hence this is used for not-for-profit businesses).

There are various other legal forms of **social enterprises and charities** including new structures such as CICs and CIOs. Search for them on Google (there's a good Guardian piece with the summary table by Stone King) or search Companies House web site and seek advice.

#### What's in a name?

Using your own name is tempting but it could be awkward if you sell and will it mean anything to your customers? You could try something like Apple or Orange, but unless you are a fruit seller or have megabucks to communicate the brand, it will mean little. Avoid anything similar to an existing brand though the Palestinian coffee chain *Stars & Bucks* has got away with it so far. Consider a name that says what you do: Yummy farm ice cream or Mrs Marshall's biscuits. If you plan to sell internationally, check your name is not rude or inappropriate in languages of the target market. The Vauxhall 'Nova' did not encourage Spanish speakers. Finally, try a play on words: Beyond Question Market Research, Surelock Homes; Grate Expectations, I feel like crêpe. Or maybe not.

#### NOTES