

- [visit our website](#)

EXPERT TAX ADVISORY FOR UK SPINOUTS:

The Brill Power Case Study



Brill Power

**HOW WE PROVIDE EVOLVING SUPPORT
TO RAPIDLY GROWING BUSINESSES.**

RICHARDSONS
CHARTERED ACCOUNTANTS





Table of Contents

1. Introduction
2. Before Incorporation
3. Start Up
4. Growth
5. Ongoing Support



Introduction

■ **University spin-outs face a range of unique financial challenges.**

From properly distributing shares to effectively securing funding, navigating the complexities of the UK tax system can be complicated.

At Richardsons Chartered Accountants, our team have extensive experience in supporting spin-outs at every stage of their journey.

■ **Brill Power**

Brill Power is a founder-run start-up with roots in the Engineering department of the University of Oxford. Since 2016, they have been an industry leader in the field of efficient and sustainable battery technology.

In that time, they have grown from 4 employees to more than 40, expanded their range of products, and secured millions in investment capital and grant funding.

The Richardsons team has worked with Brill Power throughout this process, providing support that has evolved to match the needs of their business.

In this case study, you will learn how our team:

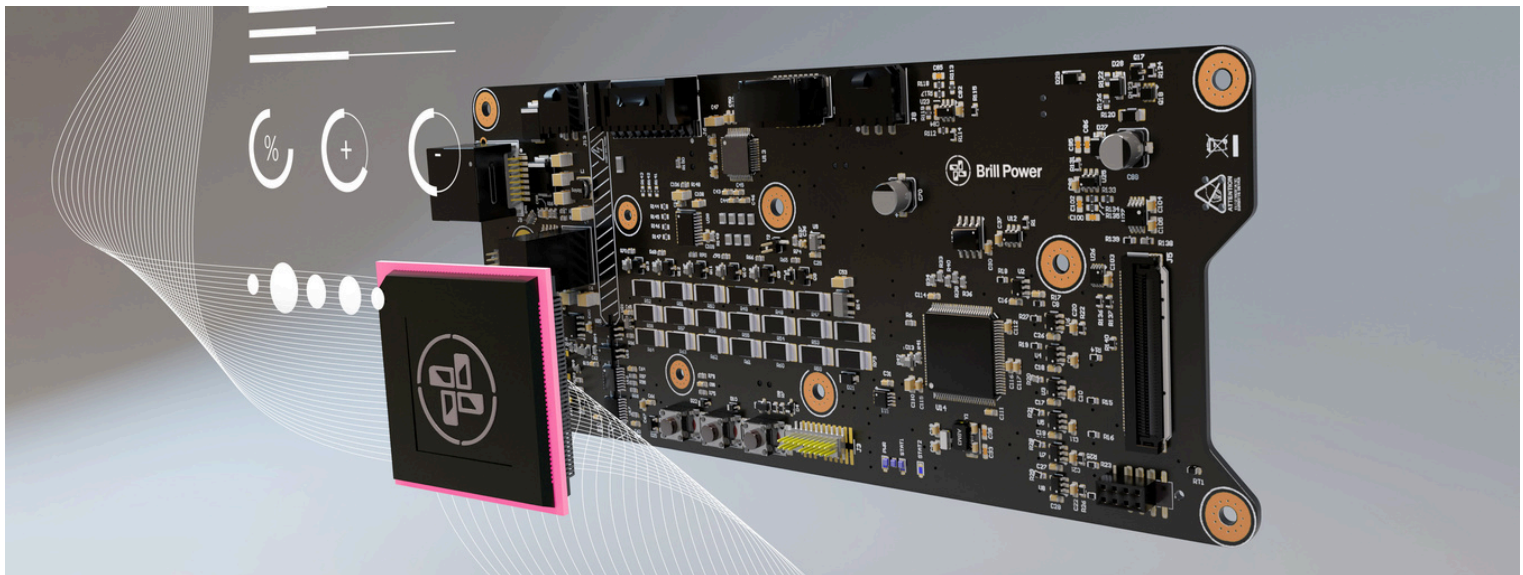
- ✓ Guided Brill Power through the tricky process of distributing shares and incorporating their business
- ✓ Supported Brill Power in a Series A fundraising round of £8.7M
- ✓ Helped Brill Power secure £1.1M in R&D Tax Credits
- ✓ Continue to provide Brill Power with a high level of support as they move onto further success...

If you would like to learn more about how we can support your business, please get in touch with our team at mail@richardsons-group.co.uk



“The team at Richardsons put our minds at ease from the start of our company incorporation. There is so much to know when you start a company and Richardsons really helped educate us on the things we needed to know, and provided support on the things we didn’t need to know. This helped us save a lot of time and gave us comfort that we were doing it right.”

*Carolyn Hicks,
CFO/COO and Co-Founder, Brill Power*



Before Incorporation

■ The initial idea of Brill Power arose in 2014, building on innovation from the University of Oxford.

Though Brill Power's founders had some financial experience, they did not have enough to do everything by themselves.

So, when they started the process of incorporation, they naturally looked for expert support.

After a recommendation from a trusted entrepreneur in their space, Richardsons were Brill Power's first choice.

We have a wealth of experience in working with technology companies of all sizes – including spin-outs of Oxford Brookes, Reading, and Sheffield Hallam – so it was a natural fit.

As with all new businesses, we guided them through the typical Companies House requirements.

However, unlike many other SMEs, spin-outs are faced with a pair of unique challenges in the initial distribution of their shares – and Brill Power was no exception.

■ Issuing Shares in the Right Order

One potential challenge that Brill Power faced was in something as simple as the order their shares were distributed in.

HMRC calculates the amount of income or capital gains tax (CGT) they charge on the market value of the shares and intellectual property.



For example, if Brill Power’s investors had purchased their shares first, HMRC would have taken the amount they paid as the real value of the shares.

As their founders would likely pay less for the same amount of shares, HMRC would see them as effectively being “given” the difference.

This would then be considered as a payment for whatever the founders bring to the spinout – meaning that the founders could potentially find themselves stuck with an eye-watering tax bill.

Fortunately, Richardsons was there to support Brill Power at this stage in the process.

Brill Power’s founders subscribed for shares first, then left a “decent interval” before any investors were allowed to purchase their shares, sidestepping what could have been a major issue.

■ **Restricted Securities Rules**

Restricted Securities Rules are another common issue faced by many spin-outs.

These rules can apply to anyone who subscribes for shares in a spin-out from an academic institution, because it would be difficult to disprove that the shares were issued to them as a consequence of their directorship or employment with the new company.

This can mean sizable income tax liabilities for the shareholders.

However, when researchers subscribe for shares in a spin-out, the value of any IP transferred from the university would be ignored for the purposes of valuing the company.

The shareholders can then choose to be fully taxed on the value of their shares.

As the IP is likely the only major asset of value owned by the company at that point, they face a very light tax bill on their shares.



Clearly, when it comes to the tricky topic of share distribution, spin-outs need to seek advice early and often.

Richardsons continues to support Brill Power with their share distribution, managing their company registers and providing ad hoc advice on share structure implications, tax elections, and their EMI options.

We ensure that every client has multiple advisers attached to their account, so whenever they have any questions, there is always a team member on hand to answer them.

After their initial share distribution model had been set up, Brill Power was ready to begin trading, and the company was formally incorporated on the 8th of June 2016.



Start Up

■ In the early days of a business, the directors often want to keep as many financial processes in-house as possible.

That way, they think, the directors can keep down costs and ensure that everything runs smoothly.

The same was true of Brill Power.

The founders initially planned to manage their PAYE and employee payroll themselves, not realising how time-consuming and labour-intensive this task can be – especially for a growing business.

Fortunately, Richardsons managed to convince them to hand their payroll over to our expert team, who continue to help them:

- Communicate directly with HMRC on PAYE matters
- Prepare statutory forms, such as P45s and P60s
- Calculate and deduct pension contributions for both employees and employers
- Manage starters, leavers, and statutory payments, including parental pay, sick pay and redundancy

In these early stages, alongside registered office and company secretarial services, Richardsons also continued to provide Brill Power with ad hoc advice.

■ Early Stage Funding

With all of this financial groundwork laid, Brill Power was preparing to approach investors to raise funds.



Here at Richardsons, our team has extensive experience in helping start-ups prepare for securing this investment by assessing the company's eligibility for early stage funding, conducting due diligence and ensuring compliance with HMRC regulations.

As part of this support, we submitted an application for SEIS Advance Assurance for Brill Power.

This was a valuable tool for building investor confidence, helping Brill Power secure the funds they needed to get started.

In November 2017, Brill Power received its first round of investment and formally spun out from the University of Oxford.



Growth

■ In 2018, Brill Power was well on their way to lasting success.

However, at the time, the majority of grant providers were required to follow the EU state aid rules, which included reviewing whether a company could be classified as an “undertaking in difficulty.”

If a company was more than three years old and had accumulated losses that were greater than 50% of share capital and premium, it would fall under this classification, potentially preventing it from receiving certain grant funding.

Brill Power was financially healthy, but – due to these rules – they could potentially have been classified as an undertaking in difficulty, simply due to how an R&D business works: they raise funds, spend them, then raise funds again.

When the Richardsons team were reviewing their draft accounts, we noted that the company was very close to dipping below that level of accumulated costs.

Fortunately, Brill Power did have a policy for capitalisation of development costs. Nothing had been capitalised to date, but if there were costs that could be capitalised that would resolve the issue.

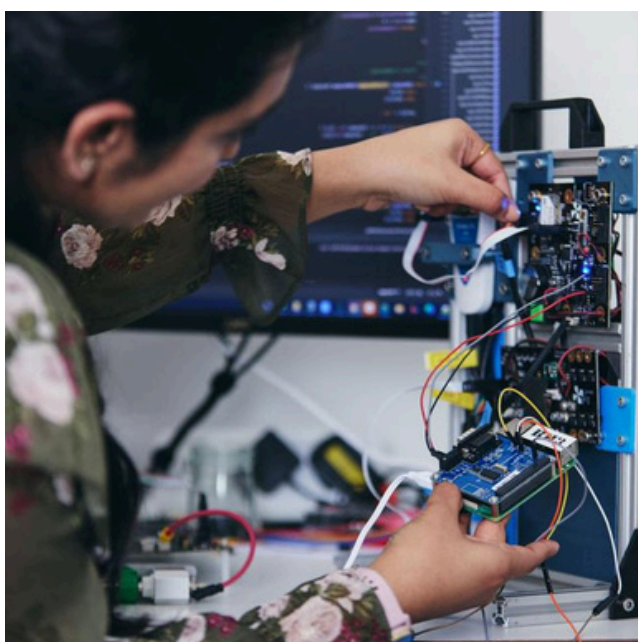
Richardsons asked Brill Power to go through the R&D work that the company was conducting to review if any met the requirements for capitalisation.

One project had met the requirements, so we worked with them to identify the costs, and funding received, for that work. Through this capitalisation Brill Power was not classified as an undertaking in difficulty.

By 2021, Brill had secured £2.9M in grants from a variety of private and public sector bodies, including Innovate UK, BEIS and ClimateKIC.

■ R&D Tax Credits

Around the same time, Richardsons also helped Brill Power start to claim R&D Tax Relief.



R&D Tax Credits are available to businesses that incur costs by improving or developing new products, processes or services.

A successful claim can mean a significant reduction in their corporation tax bill, or even a cash payment from HMRC.

Securing this relief can be an extremely time-consuming and error-prone process, especially due to increasingly stringent requirements to prevent false claims – and, in 2023/24, a complete shake-up of the tax credit structure.

This has made expert support more necessary than ever for businesses claiming R&D Tax relief.

The Richardsons team have a great deal of experience in helping businesses secure this relief – and, in the years since their founding, we've helped Brill Power successfully claim £1.1M in R&D Tax Credits.

■ Support to Secure Funding

In 2022, Richardsons supported Brill Power throughout the due diligence process in their application for Series A funding.

This process is an in-depth evaluation of various aspects of the company to determine its potential for growth, profitability and risk.

Richardsons played a critical part in the financial side of this process. Our team not only gave Brill Power assistance and advice in areas such as the signing of warranties – legal promises from the founders to the investors about the state of the business – but also took an active role in attending meetings and calls with investors, such as Legal & General.

Richardsons also provided valuable financial analysis during this process, working closely with Brill Power to ensure that their financial information was presented accurately and transparently to their potential investors.

With Richardsons' support, Brill Power successfully secured £8.7M in Series A funding in June 2022.



Ongoing Support

- **Over the coming years, Brill Power will continue to grow – and Richardsons will continue to play an integral role in their success.**

At Richardsons, we pride ourselves on the level of care we provide to our clients.

Each client has at least three members of the team as a point of contact, ensuring that every question receives a response within 24 hours – we also work on a fixed fee basis, so that our clients do not get “surprise bills” for any ad hoc advice we might provide.

We not only act as Brill Power’s accountants. For years, we have also been their trusted advisors, helping them make a number of key strategic decisions.

As Carolyn Hicks, CFO/COO and Co-Founder of Brill Power, said: “Richardsons really helped educate us on the things we needed to know, and provided support on the things we didn’t need to know. This helped us save a lot of time and gave us comfort that we were doing it right..”

- **An Evolving Service**

As Brill Power has grown and evolved, so too has Richardsons’ support.

This includes preparing the business for major changes in the UK tax regime, such as the introduction of a merged R&D tax relief scheme in 2023.

Today, we provide Brill Power with a wide range of services, including:

- **Managing key day-to-day financial processes**, including their company registered address, payroll, annual accounts and P11D for benefits-in-kind
- **Providing services that support the company's growth**, such as EMI scheme submissions, R&D tax claims, and grant claim reviews
- **Supporting with ad hoc advice and sense checks on a wide variety of subjects**, such as the VAT treatment of grants, share valuations, the tax implications on visa costs and much more...

■ Real Results

Over the last decade, Richardsons has supported Brill Power as they:

- ✓ Increased their team from 4 employees to more than 40 (and growing!)
- ✓ Obtained over £1.1M of R&D Tax Credit repayments
- ✓ Secured £8.7M in Series A funding

■ Contact Us

If you would like to learn more about how we can help your business achieve the same level of success, contact our team at mail@richardsons-group.co.uk