

IN BUSINESS

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The Moore and Smalley magazine
for owner managed businesses

‘FOCUS ON GROWTH’

**INVESTMENT IN PEOPLE, INNOVATION,
PROFIT IMPROVEMENT AND PLANNING**

**SAGE 50 ACCOUNTS MOBILE COMPANY PROFILE:
EXCELSIOR GROW THROUGH INNOVATION
MAXIMISING PROFITS REMUNERATION
STRATEGIES TAX INVESTIGATIONS MOORE AND
SMALLEY IN THE NEWS**

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ISSUED IN AUTUMN 2011

MOORE & SMALLEY
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

Welcome

**“I never dreamed about success.
I worked for it.”
Estee Lauder**

This issue of In Business focuses on businesses and people who are working hard to succeed against a backdrop of economic uncertainty. Our company profile discovers how a Bury-based manufacturing company, has doubled its annual sales. We also feature two case studies of businesses who are reaping the benefits of improvements to their management systems.

We work with businesses across the whole of the North West who share a determination to succeed and are prepared to back up that resolve with good old-fashioned hard graft.

I hope you enjoy this issue of In Business



Michael Proudfoot
Partner



Cover image: Devil's Bridge, Kirkby Lonsdale



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Sage 50 Accounts Mobile

Sage 50 Accounts 2012 allows anytime, anywhere access to your data with Sage 50 Mobile.



The free Sage 50 Accounts Mobile app allows you to access your Sage 50 Accounts data wherever you are. It is ideal for anyone who works on the move and its intuitive interface means anyone in your business will be able to use it, even if they don't have accounting experience.

Sage 50 Mobile will initially be available for both iPhone and Blackberry to provide secure read and write access to commonly used data via the Sage Gateway, direct from Sage 50 Accounts.

Sage 50 Mobile will provide a simple, fast overview of business financial performance including customers, suppliers and overall financial position, secure access to live data and the ability to administer different levels of access to different users.

Sage 50 Mobile Features and Benefits

- Create new sales invoices, quotes and sales orders.
- Manage your accounts on the move: customers, suppliers, finances, products and pricing.
- View details and transactions for customers, suppliers and bank accounts.
- Have a list of all your products, customers and suppliers at your fingertips 24/7 no matter where you are.
- Simple to set-up and easy to use with predictive search function
- Access multiple data sets.
- Up to 10 concurrent users can use it.
- Provides a live data feed from Sage 50 Accounts 2012 when the desktop or server hosting the data set is active: ie. turned on and connected to the network.
- Make use of your handset's features and has the ability to call/e-mail a client based on the details stored in the app.

The app is available to download from the Apple and Blackberry app stores and the installation is fairly straight forward. You will also need to configure the program and register on the Sage website. If you require assistance our Sage team is available to provide support.

Double boost in sales drives Excelsior's success

A Bury-based manufacturing company is on target for further growth after doubling its annual sales in two niche sectors.

Family-run business Excelsior has seen revenue from its winter grit bins product range increase by 100 per cent in consecutive years, following two years of heavy snow.

At the same time the company has doubled its volume of sales in the equestrian events market after acquiring Classic Showjumps in February 2010.

The rotational moulding business currently turns over £5 million and employs 70 staff at three premises in Bury.

Commenting on the company's growth, finance director Steve Goodfellow said: "Unusually for roto-moulding business, we have several of our own proprietary product ranges, in addition to being heavily involved with the manufacture of customers' own products.

"This means we are not reliant on manufacturing for other businesses because we have our own well established trade networks for our products. We also have our own in-house sheet steel tooling company which is unique in the industry."

Excelsior's success story has been supported by Moore and Smalley which has delivered specialist tax, audit and strategic business advice.

Michael Proudfoot, partner at Moore and Smalley, commented: "Excelsior has recognised that sectors of the fabrication market have declined and has responded innovatively by developing fresh products where it has identified a growing need. The company's innovation has secured a bright future for the business."

Steve believes there are huge opportunities for the business, especially in the materials handling, equestrian and custom moulding sectors.

Steve said: "We supply many of Europe's leading mail order catalogues in the materials handling sector, with a large range of products. We are also heavily involved in the manufacture of winter grit bins, with sales accounting for approximately 25 per

'We are very pro-active with marketing and exhibitions'



(L-R) Excelsior FD Steve Goodfellow, joint MD Giles Fielding and Moore and Smalley's Michael Proudfoot

cent of total turnover – on average we have doubled sales of grit bins each year."

Excelsior is poised to launch two new winter grit bins which Steve hopes will push sales of the range to record levels. In addition, several large European mail order materials handling catalogues are being targeted as part of a strategic marketing campaign.

After purchasing Classic Showjumps, Excelsior is heavily involved in the manufacture of equestrian products including poles, blocks, wings and mounting blocks. The business offers a wide choice of

products that are not readily available elsewhere, which has driven sales across the UK and Europe in a short period.

"We are very pro-active with marketing and exhibitions and the plan is to achieve sales of £500,000 in this niche sector within three years, compared to current annual sales of £200,000," added Steve.

As part of a plan to develop its custom moulding activities, the company is about to launch a new website and is also recruiting a technical sales specialist as part of a drive to increase its presence at trade exhibitions.

Grow through innovation

A Lancashire based service is proving that, despite the current economic climate, there are still opportunities for businesses to grow and compete through enhanced innovation.

Lancashire Innovation Network's team of experienced, independent business advisors offer hands on support to small & medium businesses across the county, working with them to develop new or improved business processes, introduce new products and to implement IT systems.

The service is provided by Regenerate Pennine Lancashire and is partially supported by European Regional

Development Funding. The team helps companies to evaluate innovative opportunities and to identify how more effective exploitation of technology could boost competitiveness. The in-depth support from the team ranges from an initial enquiry through to project completion and can be complemented by financial support of up to £5,000 to enable businesses to commission additional specialist services from the private sector or from within the region's academic institutions.

The service also hosts regular seminars and workshops to ensure Lancashire businesses are up-to-date on key

developments. Topics covered so far have included online marketing, intellectual property and social media.

Since its launch in January of this year, the team have handled over 400 enquiries with around half of these leading to in-depth projects with Lancashire businesses that will both safeguard and create higher value knowledge-based employment within the county.

If you wish to find out more about the Lancashire Innovation Network please call free on 0800 612 2029, email info@regeneratepl.co.uk or visit www.regeneratepl.co.uk

Recent case studies



First Tunnels Ltd is a Barrowford based manufacturer of poly-tunnels. The company sought Regenerate's help to upgrade its Sage accounts system and integrate it within its website. Lancashire Innovation Network assisted with the specification for new hardware, initial system design and suggested improvements to business process flow, in addition to providing financial support. Project management assistance was also provided during implementation. The changes in the website, back end systems and the improvements in customer engagement and service has led to increased sales and two new jobs in the first few months.

"We are delighted with the help received from Regenerate. Our fantastic new business management system helps us seamlessly integrate finance and stock systems with our website". Gail Burn, First Tunnels Ltd, Barrowford, Nelson.



Clitheroe based **ELAN Precision** first approached Lancashire Innovation Network in March this year to discuss support required to deliver a growth strategy plan. ELAN is a tooling and fixtures manufacturer. It also undertakes development work on prototype components, largely for the aerospace market. ELAN was encouraged to move into the batch production of specialised components, so it could undertake work previously completed by its customers. The growth strategy was developed to achieve this and included the creation of systems to enable 'offline' inspection facilities. The Lancashire Innovation Network supported the company with the creation of a new quality management system and automation of business processes, helping ELAN to create new posts for machine technicians.

"We received free advice through The Lancashire Innovation Network to implement a new business management system that will aid our growth". David Newton, Managing Director, Elan Precision Ltd.

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Maximising profits

From start-ups to established businesses, all business owners seek the same goal - to make a profit. Initial start up costs and the time taken to build a customer base can make it difficult for a new business to show profit in the first year. However, your small business can make a profit if you are careful in your planning, keep an eye on your spending and sell to the market at the right price. This article sets out a few tips that the budding entrepreneur should consider in the early days of a new business venture.

Create a business plan

Business plans are so important yet so few businesses have them, in fact planning is key to any business throughout its lifecycle. Business plans should be regularly reviewed and updated, not left on the shelf to gather dust.

Identifying where you want to be in the future and setting goals and timescales for achieving those goals will help you keep your business on track.

Measuring up

Management accounts can help you make timely and meaningful management decisions about your business and are usually produced on a monthly or quarterly basis. They allow you to see how much money you are making, where you are making it and where you are spending it. Don't fall into the trap of assuming that revenue equals profit. It doesn't.

The information in management accounts is usually broken down so that the performance of different elements of the business can be measured. For example, if a business has more than one sales outlet, there might be a separate report for each.

Consider the way in which you want to view your income and expenditure, keep your books up-to-date and review your financial position regularly. Comparing your financial performance to the business plan regularly allows you to review your progress against expectations. You should also consider revising your forecasts periodically, seeing planning as a cycle rather than a one off task.

Get into the billing habit

Many businesses give away time or provide added extras without charging for it, this is

'Don't fall into the trap of assuming that revenue equals profit.'



Planning is key to any business throughout its lifecycle

particularly true for businesses who sell a service rather than a product. Getting into the routine of accurately recording the work you do for your customers and billing regularly is a good habit to get into.

Be efficient with your time

Planning for the day, week or month ahead can help you focus your time on the activities that will add value to your business and maximise your profits. For example, how much time do you need to allocate to keeping your accounting records, updating your website, running your office payroll or maintaining your IT systems? Would your time be better spent providing your service or selling your products and generating income for your business? Consider outsourcing tasks that could be done more cost effectively by a third party.

Make yourself visible online

Establishing an online presence is vital for even the smallest businesses. For many businesses getting online sales and marketing right is crucial to success.

The first step in any online marketing strategy is usually to build a website, but be aware an unattractive or difficult to use website can do more harm than good. To be successful as a marketing tool, a website

must look professional and be easy to navigate.

More recently social media has become an important part of online marketing. Consider whether a presence on some of the most popular social networking sites like Facebook, Twitter and LinkedIn can add value to your business. One of the major benefits of these sites is that they are free to use, however, the downside is that they can be a huge draw on your time.

Monitor your costs

Close management of your costs can drive your profitability. Most businesses seek to reduce waste and bring down the cost of production, but be careful not to cut costs at the expense of the quality of your products and services.

Keep a close eye on what you're spending and the way you operate. Negotiate the best deal from your suppliers, regularly review your finance arrangements and work with a good tax advisor to help minimise the amount you pay to the treasury.

Sometimes the smallest things make the biggest difference. For example, consider using your bank's online facility to pay your suppliers. Paying by cheque may not only incur fees with your bank but they take time to write and cost money to mail.

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Remuneration strategies: Rewarding your people in the most efficient way

While we all like to be rewarded with a salary there are other ways in which you can reward your employees and one of the more obvious options is to provide a pension scheme. Between October 2012 and September 2016 every UK employer, irrespective of size, will have to establish a pension scheme into which a minimum level of contribution has to be paid by both the employer and employees.

There will predominately be two types of scheme that most employers will choose between. The first is the new National Savings Investment Trust (NEST) being set up as a centralised scheme with a 10 year administration contract with Tata Consultancy Services and a limited range of

investment funds. The second is to set up a Group Personal Pension with an insurance company that has a proven track record of administering pension arrangements and is likely to offer a wider range of investment options for your employees to choose from.

Whichever option you decide upon you may want to consider the advantages of using salary exchange, although at this stage it is not certain if this will be available via NEST.

The simplest definition of salary exchange is where an employee agrees to give up some of their 'cash' salary or bonus. The sacrifice is made in return for the employer's agreement to provide the employee with some form of non-cash salary benefit.

As the salary is being 'exchanged' rather than paid, the employee does not pay any income tax or any National Insurance Contributions on the amount of salary or bonus exchanged. Similarly the employer also does not pay any National Insurance Contributions on the amount exchanged either – a NIC tax saving for both.

Careful consideration has to be given when opting to exchange salary for a pension contribution, as this could impact on the employees other benefits (for example maternity/paternity pay).

A podcast is also available on our blog (www.bottomlineonline.co.uk) in which I have provided more information, including an example of how salary exchange works in practice.

'Both the employer and employee save National Insurance'



Salary exchange is where an employee agrees to give up some of their 'cash' salary in return for a 'non-cash' benefit

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Tax investigations: what to do and what not to do

With a tax gap estimated at £40bn, HM Revenue and Customs (HMRC) is taking a tough, new approach to reducing the shortfall – and all businesses are potentially under threat of investigation.

It is difficult to overstate the disruptive impact investigations can have, not only on commercial operations, but also in some cases on the private lives of business owners.

This risk has been significantly elevated because HMRC has been ordered to reduce the tax gap by £7bn over the next four years.

HMRC aims to tackle it with fresh initiatives against tax avoidance and harsher penalties against those breaking the rules. It is also improving its systems to capitalise more effectively on the vast amounts of information it holds.

All companies have been required to submit accounts and tax returns in electronic (iXBRL) format since April 2011. The information this yields will enable HMRC to compare results of individual companies with competitors, or with historical trends, to identify anomalies.

Businesses and sectors most at risk

HMRC uses the expression 'breaking the records'. This means that once an inspector has shown weaknesses in any area of a company's records, the credibility of the records as a whole can be undermined. This immediately gives the inspector a major advantage and HMRC has won a string of cases where it has successfully assessed businesses on its own estimated figures, simply because records were flawed.

Worse still, HMRC will argue it has justification for extending its investigation into the private affairs of the owner.

We expect HMRC to target businesses perceived as high risk. Companies that persistently file late returns, or pay tax late without contacting HMRC to explain why, will attract unwanted attention.

In the eyes of HMRC, a business that submits returns late does not take tax compliance seriously, and represents 'easy prey'. HMRC will also look at the sector in which the business operates, and from time to time, will target particular areas. Hotels



'Do not assume a Revenue enquiry is a random event'

and restaurants in the North West are currently in the spotlight.

How to reduce exposure

Our TaxSafe scheme is a cost-effective insurance policy that covers the cost of our dealings with HMRC investigations from the moment they start an enquiry. This includes VAT or PAYE inspections, which we can attend at no cost to the business, and nip issues in the bud. The scheme also covers the cost of dealing with technical enquiries as well as full scale investigations.

Tax investigation work is a specialist and time-intensive area. It often surprises people that dealing with investigations can cost considerably more than the fee for preparing the accounts under review.

TaxSafe also represents a tactical advantage. Where HMRC inspectors know a company has TaxSafe in place, they will appreciate that the business owner has the resources to contest HMRC arguments.

What to do if an inspector calls

The first step is not to assume HMRC has contacted us about the investigation or inspection. Call us before you do anything.

The next step is to prepare, and our

specialists will be able to advise you exactly how. The first meeting with HMRC is critical: inspectors are very good at catching taxpayers off guard in a friendly initial meeting, and then using 'throwaway comments' as evidence to support ambitious tax assessments at a later stage.

If you know something is wrong, don't try to hide it. An early, voluntary disclosure will reduce any final settlement with HMRC. Keep in mind that at the end of an investigation, a certificate of full disclosure must be signed, and HMRC will take criminal proceedings against people found to have knowingly signed incorrect statements.

Keep cool, stay focused

When HMRC start an enquiry or investigation, it is for a reason. It should not be assumed the enquiry is a random event. In practice, virtually all investigations are started because HMRC inspectors think there is tax at risk. Thumping the table will not persuade them otherwise – just the opposite.

The key is to identify the concerns and deal with them. That way, the case can be closed at the earliest possible opportunity.

Smalleytalk

Professionals raise £385 for animal charity



Julie Treverton and Rachel Marsdin visit Animal Care

Members of Lancaster's professional community put their knowledge to the test to raise £385 for a local animal charity.

Eight local businesses took part in a charity quiz night, hosted by Moore and Smalley Chartered Accountants in aid of Lancaster-based charity Animal Care, at Morecambe Football Club's Globe Arena.

Teams from NatWest, Joseph A Jones, Oglethorpe Sturton & Gillibrand, Bay Business Centre, and BSG were among those taking part in the quiz which was won on a tie-break by Oglethorpe Sturton & Gillibrand.

Animal Care, which provides a home for unwanted and abandoned animals, has existed in Lancaster for over 30 years. Based at Blea Tarn Road, Scotforth, the charity has re-homed 230 dogs, 428 cats and 184 other small animals in the last year.

Making the news

Moore and Smalley has gained recognition in a host of regional media outlets after providing advice to several growing businesses.

Plastic products manufacturer Excelsior hit the headlines after doubling sales in two niche sectors (see page 3). The Bury-based firm, which has received strategic business planning and tax advice from Moore and Smalley, appeared in a number of publications, including the Manchester Evening News.

Meanwhile, Kirkby Lonsdale engineering company Technijet gained local media coverage after growing exports by 30 per cent in the last two years. Moore and Smalley has again provided a range of financial advice to support Technijet's growth.

Our corporate finance director, Stephen Gregson, appeared in North West Business Insider's latest deals feature on succession planning. Stephen talked about how business owners should allow management teams to develop sufficiently to be in a position to buy the company when the time comes for a sale.



(L-R) Two of Moore and Smalley's new trainees, Sophie Fannan and Wayne Lamb

Moore and Smalley invests in the future with new trainees

Moore and Smalley Chartered Accountants and Business Advisors has recruited 13 new trainees to its various offices across the North West as part of its 'Class of 2011'.

Sophie Fannan and Wayne Lamb have joined the firm's Blackpool office and will work with its medical services team, advising doctors, dentists, care home owners and other medical professionals.

Nicola Benson and Amy Braithwaite have joined the firm's Kendal office and will work in the accountancy and tax teams respectively.

Meanwhile, the Lancaster office has recruited Joshua Sayle, Jack Steer, George Davey, and Michael Towers to its team. Joshua and Michael will be working with the firm's corporate and business services teams respectively, while Jack and George will

work in the firm's audit and tax teams respectively.

Finally, Sarah Ollerton, Mark Rose, Sarah Dew, Richard Yates and Melissa Palmi have joined the firm and will work across various departments at the Preston office.

As part of their employment, all of the new recruits will continue their studies for various accounting qualifications at colleges across the North West.

David Ingram, managing partner at Moore and Smalley, said: "We continue to strive to recruit and invest in the best young accountancy talent in the region and many of our previous trainees are still progressing upwards at the firm. I'm sure our latest group of trainees can go on to emulate their success."

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