Welcome

WELCOME to the third and final edition of Bottom Line in 2009.

And what a challenging year it has been for most of us but there are now, thankfully, real signs on the horizon for optimism.

At Moore and Smalley our corporate finance team is reporting an increase in deal activity after completing five transactions this summer – with a further four in the pipeline over the coming months.

Obviously we shouldn’t be too over-confident, but there are positive indicators at a national and local level that the deals which virtually disappeared in 2008 and at the start of 2009 are now starting to re-emerge.

More good news for Preston is the long-awaited kick-start to Preston Vision and its plans for the city centre since the appointment of its new chief executive, Eliot Ward. He has set out his stall to listen to and work with Preston’s business community to regenerate the city, an objective we fully support – see page 5 for the full story.

The Conservative Party’s conference in Manchester made the headlines in recent weeks, especially for its plans to increase the retirement age to 66 and bring in tax breaks for firms created in the first two years of a Tory government, as they spelled out their policies ahead of next year’s general election.

Although, it would have been the icing on the cake for Lancashire if one of the three big parties had held their annual conference in the recently reinvigorated Blackpool!

Another new initiative Moore and Smalley is right behind is the Cumbria Intensive Start-up Support Programme (ISUP), which is worth around £2 million over the next five years. We are committed to helping start-up businesses in Cumbria – and indeed Lancashire – so this programme is great news for people wanting to start their own companies in Cumbria.

However, there is a word of warning. Although many economists are saying the worst of the recession is over, I’m afraid businesses are not out of the woods just yet.

Unfortunately, more companies collapse at the start of a recovery than in the depths of the preceding recession – especially those that spent their working capital on survival which are suddenly hit with increased orders but no cash to produce them.

Therefore, businesses need to be talking to their advisors now and revisiting their financial projections and making sure they have the working capital ready for when the upturn eventually materialises.

Please enjoy the latest issue of Bottom Line.

David Ingram

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A FIRM which stores sensitive documents for businesses is embarking on an acquisition programme in a bid to become one of the UK’s independent market leaders.

IBEX Information Management Ltd recently took over Alexander Young Records Management, based on Essex Street, Preston, which stores a range of documents and data for hundreds of major businesses.

Today the company is the largest archive storage, document storage and management facilities in Preston, which works with businesses in Lancashire, Cumbria, Greater Manchester and Merseyside.

Lorraine Birch, who co-founded Alexander Young 14 years ago, was part of a consortium of private investors that acquired the company in a deal which Moore and Smalley provided the due diligence on.

She has remained as managing director of IBEX, which is planning to introduce new services and recruit extra staff as part of its growth strategy.

Lorraine was joined by Tomas Gronager, who has worked as managing director of many national and international divisions of major listed and private support services companies around the world, and Gerard Downes, who has 15 years’ experience in finance, including venture capital, to launch IBEX and its acquisition plans.

She said: “Our long-term aim is to expand through further acquisitions throughout the country to become the largest independent integrated records management service provider in the UK.

“As the business grows and we introduce a wide range of new facilities to improve customer service we will also need to take on more staff.”

The new services being introduced by IBEX, include: secure destruction and shredding, deed and will fireproof storage, online scanning and image hosting, secure HR and medical storage and the storage of back-up tapes, discs and other electronic media.

Tomas Gronager, IBEX chief executive, said: “We plan to build on Alexander Young’s reputation for high quality customer care and take it to the next level. By building on that foundation and providing new services, which will help our customers improve their information management programs and meet increasing compliance regulation, we will roll out that model nationally to become an independent market leader.”

IBEX already has several potential acquisitions in the pipeline and is on target to create a national footprint for the company.

Damian added: “It is fantastic to see that the North West, and Preston in particular, is home to such ambitious businesses as IBEX, which is bucking the trend and looking to substantially grow.

“IBEX is definitely one company to watch over the coming months, especially now they plan to expand through the acquisition trail in their bid to increase their market share nationwide.”

www.ibex-im.com
The second issue is the availability of credit for businesses. Whilst we are seeing some signs of increased activity from the banks compared to the torrent of easy credit available pre-crunch, the activity at the moment is more akin to a very early spring trickle in the stream bed!

In order for this to improve in my opinion there are two things that need to happen:

1. The banks’ balance sheets need to get stronger and this is actually happening as we speak, for despite all the sub-prime related businesses, most of the banks have genuinely profitable underlining balance sheets;

2. Organisationally the banks need to improve their ability to deliver the complete package of funding to their customers that they and the new market require.

In addition, we are spending less time advising businesses in distress and more time assisting those that are looking for funding for growth and new opportunities. This personal experience coupled with a number of other positive indicators, such as the increase in domestic property transactions and related values and the significant stock market rally, give some grounds for optimism.

However, this optimism needs to be cautious as there remain a few issues to be ‘resolved’, if that’s the correct word.

‘UNEMPLOYMENT HAS GENERALLY CONTINUED TO RISE FOR A PERIOD AFTER THE ECONOMY HAS TECHNICALLY EXITED RECESSION’

In two years if a business required funding for growth it was quite likely that the bank would provide this via a simple loan or overdraft without taking any specific security. Now when faced with the same requirement the bank would look to put together a mixture of products such as asset finance (HP), invoice discounting of factoring and then some element of overdraft or loan. This would typically involve at least three different people in the bank possibly in different offices, so it comes as no surprise that this is taking some time to bed in and that delivery is suffering.

The third key issue is political uncertainty and by that I mean two things. First, with an impending election we do not know with absolute certainty who will be running the country for the next five years, although some would hazard a guess! Secondly, we do not have a clear picture of what the strategy of the key parties would be. The Conservatives went some way to explaining their plan at their conference but we will have to wait until November and the pre-budget speech to hear Labour’s plans in more detail. Until this uncertainty is removed it will be difficult for individuals and businesses to plan for the medium term.

A few commentators have pointed to these issues and some others as reasons to indicate that we may experience a double dip or ‘W’ shaped recovery before we have even experienced the first upturn of this scenario! My personal view is that the three factors outlined above may be helpful in ensuring that any recovery we experience is relatively controlled and doesn’t create the conditions for a ‘W’. Only time will tell and by the time you read this article we will know whether the UK has exited the recession (technically?) or whether we have to wait until next year for that good news.

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A NEW ‘VISION’ FOR PRESTON’S FUTURE

PRESTON VISION’S NEW CHIEF EXECUTIVE, ELIOT WARD, IS NO STRANGER TO CHANGE AND HELPING TO DELIVER MAJOR MULTI-MILLION POUND REDEVELOPMENT SCHEMES.

HE was involved with the £155 million investment in Liverpool’s King’s Waterfront, the radical refurbishment of Liverpool’s Lime Street gateway and a £32 million scheme to underpin Northwich’s sinking town centre.

Now he is tasked with heading Preston Vision Ltd – the organisation charged with channelling funding from the NWDA and private sector businesses into major regeneration projects across the city.

Preston Vision Ltd is involved with projects including the Tithebarn scheme to regenerate the city centre, plans to create a new central business district and improvements to green spaces and under-utilised waterways.

Here Moore and Smalley’s marketing and business development director, Danny Houghton, speaks to Eliot about his ‘vision’ for his new role – and the city - just days after starting his new job.

“One of my aims is to engage with the business community and share their ideas and aims. I have the public and private sector background to create the links to bring our plans forward.

“However, I need to demonstrate real change and not just talk about it but I’m not afraid to ruffle a few feathers to get the job done.”

Eliot joined Preston Vision from the Homes and Communities Agency, where he was area director for Merseyside and Cheshire. In that role he was responsible for delivering strategic projects, such as Omega in Warrington and Castlefields in Runcorn, as well as supporting the work of Liverpool Vision Urban Regeneration Company.

Since joining Preston Vision in September he has set himself several key objectives to secure the success of the company’s and the city’s combined long-term goals. They include bringing together public and private sector partners, maintaining and fostering the business community in the city, creating a brand or a strapline for the city, developing a strategic plan for the centre, improving the exposure to both business and leisure visitors and attracting them to the city.

As Eliot explains: “The biggest thing Preston needs is to be ‘talked-up’. It has been a city for seven years but it isn’t behaving like one and big opportunities have been missed on securing major funding over the years and that needs to change.

“Preston needs Grade A office space, a better leisure offer and family living in the centre so there is no getting away from the fact that there are challenges. In fact, you can compare Preston now to Liverpool ten years ago and look at how that city has been transformed by Grosvenor and Liverpool One along with all the other projects.

“Preston can transform itself with Tithebarn. We are fully supportive of the Tithebarn scheme because Preston needs to elevate its retail, office and leisure offer to a whole new level.”


He added: “Regeneration is never straightforward and there are always challenges, hurdles and obstacles to overcome but they are part and parcel of any major project.

“But if you have strength in partnership, a clear strategy and shared goals you can find ways through them and Preston can do just that and become the city it should be.”

IN THE CHAIR

PRESTON VISION’S NEW CHIEF EXECUTIVE, ELIOT WARD, IS NO STRANGER TO CHANGE AND HELPING TO DELIVER MAJOR MULTI-MILLION POUND REDEVELOPMENT SCHEMES.
Pension alternatives for high earners

BY GRAHAM GORDON, HEAD OF FINANCIAL PLANNING AND PARTNER

ALISTAIR Darling delivered a double whammy to high earners in his budget earlier this year.

Not only did he hike the higher rate tax band to 50 per cent for those earning over £150,000 a year (which my colleague Tony Medcalf tackles in his Tax Matters article on page 7), but he also axed the ability to obtain tax relief through increasing pension contributions.

Traditionally, the Government used to encourage pension saving by offering tax relief on pension contributions. Clearly, funding pensions against such earnings would be very attractive.

However, in a bid to prevent that, a second policy is being introduced in 2011, which will see income tax relief on pension contributions by individuals being tapered from 40 per cent at £150,000 a year down to just 20 per cent at £180,000, from 2011.

Anti-forestalling legislation has been brought in to prevent substantial pension contributions in 2009/10, ahead of the new regime. Therefore, anyone who earns over £150,000 a year, or has done in the last three years, is actually caught now and is restricted in the amount they can contribute and receive full tax relief this year. Such individuals should plan now to make the most of all the tax allowances and alternatives to pensions at their disposal.

So what do you do? What are the alternative methods for saving for your retirement?

‘THE GOVERNMENT USED TO ENCOURAGE PENSION SAVING BY OFFERING TAX RELIEF TO PENSION CONTRIBUTIONS’

Basically, ISAs are the next best thing to a pension. Whilst they offer no tax relief on the way in, they offer tax free growth and income and are also tax free on the way out.

Alternatively, people could invest directly in shares or collective investments, such as managed funds or unit trusts, which are biased towards capital growth rather than income.

And with the careful use of annual capital gains tax allowances it is possible to ultimately achieve tax-free growth.

Even if people end up paying tax on any growth, it is currently only 18 per cent.

Fortunately, with careful financial and tax planning initiatives there are options available to people earning £150,000 or above to save substantial sums for their retirement – and, more importantly, keep those coffers out of the hands of the Exchequer!

There are many financial planning options for life after business
Big earners, big taxes – what can you do?

BY TONY MEDCALF, HEAD OF TAXATION

TIME is running out for high earners to put plans in place to minimise the impact of the new top rate of income tax, which comes into force next year.

It is estimated around 350,000 people will be hit by the new tax rate of 50 per cent on incomes of more than £150,000. The new rate, which compares with around 40 per cent at present, will be introduced in April 2010.

These changes will have a major effect on big earners, and not just high flyers in business and bankers but sole traders, GPs and headteachers.

For the first time in many years individuals earning over £150,000 will give more in income tax and national insurance to the Exchequer than they will keep for themselves.

And, the option to obtain tax relief by increasing pension contributions has also been removed following the Budget earlier this year. The Chancellor announced that people earning more than £150,000 a year could pay as much as 30 per cent tax on all their employers’ pension contributions.

However, there are steps that can be taken to minimise the new tax rate but decisions should be made sooner rather than later before a last minute rush in March to beat the April deadline.

Firstly, there are different options available for those who want to continue trading for the foreseeable future and those looking to exit their business in the next couple of years.

Limited companies with healthy balance sheets could look to extract value from their businesses by taking dividends to reduce their tax liability.

For example, a company with a £1 million balance sheet that perhaps pays a director £150,000 would pay 35 per cent tax for four years. However, if they took £150,000 as a dividend, which would total £600,000 over four years, they would pay tax on 25 per cent and leave the remainder in a loan account, which would result in a tax saving of £60,000.

Partnerships and the self-employed could look at incorporating their business and creating a corporate partner, basically a company that becomes a partner within the business, which could help bring them under the new top rate of income tax band.

‘ANYONE LOOKING TO SELL THEIR BUSINESS WITHIN THE NEXT COUPLE OF YEARS SHOULD LOOK TO KEEP THE VALUE WITHIN THEIR BUSINESS AND ACCESS THE 10 PER CENT AND 18 PER CENT CAPITAL GAINS TAX RATES WHEN THEY SELL’

While anyone looking to sell their business within the next couple of years should look to keep the value within their business and access the 10 per cent and 18 per cent capital gains tax rates when they sell.

At Moore and Smalley we are already receiving increased interest and enquiries from businesses looking to extract value from their companies and also from sole traders looking to incorporate.

There are options available to bring earnings below the £150,000 top rate tax threshold but the sooner you act the sooner you’ll be safe in the knowledge your money will be protected from the tax man.

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IN the current economic climate most organisations are looking to make savings and improve efficiency in order to sustain their business.

And one of the biggest costs is staff, who are also said to be a business’ greatest asset – so what can companies do to make the most of their people?

One initiative would be to follow the LEAD programme, an innovative ten month leadership programme supported by the Northwest Development Agency (NWDA), which is being rolled out across the North West following a successful pilot at Lancaster University.

PINNA, Lancashire-based business and personal coaching consultants, is one of 13 providers in the North West that deliver the LEAD programme, which equips business leaders with the skills and know-how to increase profits, capitalise on new opportunities and make the most of their people.

The LEAD programme is aimed at owner-managers in the North West with up to 20 staff and it concentrates on the business itself and the personal development of the owner-manager. There are several elements to the programme, including masterclasses and coaching, shadowing and exchanges, as well as online forums.

More importantly, the LEAD programme has been a resounding success so far - as the statistics show: 90 per cent of businesses previously involved in LEAD pilot programmes experienced an average £200,000 increase in turnover and a corresponding rise in profits.

According to Jack Rowlands, from PINNA, by simply changing people’s behaviours it is possible to tap into their underlying talent, skills and strengths, which will help improve a business’ performance.

However, he also believes that “we are all under-achievers” but by creating the right environment and culture can not only pay dividends for improving staff performance but also an organisation’s profitability.

“Most people use between 40 per cent to 90 per cent of their talent or skills so it’s all about drawing out what is already there and improving people’s performance irrespective of where there current performance is at,” says Jack.

“If people hit their targets organisations tend to leave them alone but we believe people have untapped potential but the responsibility for improving performance needs to be taken up by the performer and not the manager.

“We focus on the individual. It’s about them and not the manager. It’s about asking and not telling, looking at solutions not problems, raising awareness and generating responsibility.”

Over the years PINNA has worked with businesses of all shapes and sizes to successfully transform individual and organisational leadership, management and performance. In fact, Jack recently worked with one leading law firm and in just three months helped them to double their chargeable hours and, as a result, increase their fee income.

Jack added: “In previous recessions it was the organisations that continued to invest in marketing and staff training which came out the strongest. This recession is no different - people should be coming to us especially when they don’t think they need to.

“Basically, by simply changing an organisation’s behaviour and culture can help develop people’s potential and motivate them, which in the long run will improve performance and, most importantly for any business, improve bottom line.”

About PINNA

PINNA helps businesses and organisations across the North West create excellence in leadership and management through transformational coaching.

The company works with organisations undertaking major change initiatives, including accountants, law firms, SMEs, universities, colleges and schools, PLCs, public sector and not-for-profit organisations.

It was founded in July 2004 by managing director Helen Bailey and director Jack Rowlands and is based at the Rural Business Centre, Myerscough College, Bilsborrow.

Helen has been a full-time coach for more than 12 years and comes from a senior managerial career with the Royal Bank of Scotland / NatWest, where she successfully implemented a programme of culture change.

Jack is a qualified business and personal coach, with more than 14 years experience in the industry. He helped pioneer coaching as a senior manager at Royal Bank of Scotland, where his success led to a strategic shift in philosophy and management style in RBS Corporate Bank.

Today, PINNA’s clients include big four chartered accountants and multi-national law firms, as well as the University of Central Lancashire and Bowker BMW.

For more information about PINNA go to its website www.pinna.co.uk or phone 01995 642276.
NORMAN TENRAY IS MANAGING DIRECTOR OF THE OBAS GROUP, AN AWARD-WINNING ORGANISATION BASED IN LONGRIDGE, NEAR PRESTON, WHICH OPERATES IN THE BUILDING, HEALTHCARE AND TECHNOLOGY SECTORS.

THE COMPANY COMPRISSES OBAS UK, OBAS CARE AND OBAS TECH AND THE GROUP PROVIDES PRODUCTS AND SERVICES THROUGHOUT THE UK AND IRELAND TO MORE THAN 26,000 CLIENTS.

Current business interests: I acquired OBAS UK Ltd in January 2008 and set about revolutionising the company. I introduced a variety of professional practices to build on an incredible level of trust and respect in the industry by improving the way we conduct business, customer service and team motivation.

Today the company employs 45 staff and is on target to more than double turnover to £3.2 million in 2009.

Star sign? Taurus

How many hours do you work during the week? A minimum of 75 hours so I don’t get into trouble with current employment legislation!

How do you define an entrepreneur? A person who is prepared to take a risk and develop a business from an idea or concept, whilst having the ability to overcome obstacles and inspire confidence.

What was your first foray into business? Whilst at school I worked on a market stall and progressed through to a local hardware store and McDonald’s. As a career I joined a local computer company on a YTS scheme and within 12 months progressed into a European product manager role for two vertical market products.

Who has been your most influential business mentor? As a child it was my grandparents who ran a variety of nursing homes, in the professional arena it would have to be Richard Branson.

What is the best piece of business advice given to you? There are two that stick in my mind. The first was from a traditional bank manager who explained the importance of working capital as opposed to borrowed capital. The other was from a computer engineer who trained me and wisely said that you should be courteous, honest and considerate to everyone you meet as you don’t know who they know!

Who do you respect in business today and why? As I have matured I am learning to socialise and integrate with a wider audience, a recent invitation to an event provided me with an opportunity to listen to a rather outspoken and interesting debate. Often, I believe people are concerned more about being politically correct rather than expressing their real views. Lord Digby Jones was part of the panel and proved to be an interesting, informed and amusing speaker.

What is the single most important piece of advice for someone starting in business? Don’t promise something you cannot deliver. It’s better to admit you will try your best or that you are not in a position to do it!

Do you plan to retire one day? This question has caused great amusement in the office so I guess that the answer is transparently obvious to anyone that knows me. I would like to think that I could enjoy the best of both worlds and become semi-retired one day, I think I would miss the buzz of working with people and miss the sense of pride and achievement, although I would like to spend more quality time with my wife and son.

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INDICATIONS ARE BEGINNING TO APPEAR THAT WE ARE ON THE CUSP OF RECOVERY – THOUGH NO ONE IN THE REGION’S BUSINESS COMMUNITY IS GETTING CARRIED AWAY. ANY IMPROVEMENT IS LIKELY TO BE SLOW AND FRAGILE.

Figures from the Office for National Statistics show that UK gross domestic product (GDP) fell by 0.6 per cent in the second quarter of 2009 compared with the previous quarter – a marginal, though nonetheless welcome improvement on the decrease of 0.7 per cent that had been predicted.

Together with other economic indexes, such as rise in the household saving rate, the GDP figures suggest that positive growth is a realistic possibility in the third quarter of 2009.

To discuss these and other issues affecting the region’s business fortunes, Moore and Smalley’s Preston office hosted a conference of regional businesses, banks, and commercial solicitors.

The panel comprised: Gill Gardener, Oglethorpe, Sturton & Gillibrand Solicitors; Raymond Green, Dickson Haslam Solicitors; Stephen Gregson, Moore and Smalley; Peter Hine, Marsden Rawsthorn Solicitors; Simon Joyce, Handelsbanken; Rob Kenmare, Moore and Smalley; Ian Kersey, RBS; Keith Melling, Naphens Solicitors; Philip Owen, Barclays; Richard Smith, HBOS / Lloyds TSB; Gerald Waterfield, Co-op; Andrew White, HSBC; and Sean Williams, Yorkshire Bank. The discussion was chaired by David Chadwick, of Freshfield Marketing Communications.

Here are the panel’s opinions.
What are the opportunities and risks of the current business landscape?

Stephen Gregson: Overall, I think that people have adjusted to the changed economic reality. 12 months ago commentators were talking about ‘economic armageddon’. But, without being flippant, we have realised that the world still keeps turning, the sun still comes up in the morning and we can still go and buy things that we need. Maybe we can’t spend as much as we used to, but generally attitudes seem to have turned a corner. I think we are accommodating to the changed economic situation and we’ve realised that things haven’t turned out as bad as we feared they would. We are starting now to look to the future and confidence is building.

Keith Melling: My concern is that there might be a second, larger slump at some point in the next six or 12 months and I think the main risk factor there is jobs. You hear stories about BAE Systems at Samlesbury employing another one, two thousand people but the next minute the Serious Fraud Office is investigating and there’s the risk of a huge fine. It’s that sort of uncertainty that’s has a negative effect on confidence.

Philip Owen: Confidence is beginning to return because people are seeing very low asset values and obviously interest rates are also low so customers who have adequate cash resources are happy to approach the bank for funding. There are some good opportunities out there and if you combine that with the lower value of the pound, we’re actually seeing some evidence of a growth in manufacturing because it’s cheaper to manufacture over here than it sometimes is importing products all the way from the Far East. That’s quite encouraging.

Are there any signs in the regional business community that recovery is under way?

Ian Kersey: I think the indicators we’re looking for are confidence, investment in jobs, investment in capital equipment, appetite to borrow and a clear appetite to lend to the right management teams. However, the recovery isn’t going to be as quick as the decline and it will take quite some time to get back to where we were a few years ago, if at all.

Gill Gardner: A number of business owners who feel their lives have been put on hold are starting to think they may as well get on with it rather than waiting two or three years. The situation isn’t going to be vastly different, so why not try to make money now? I’m starting to see a little bit more investment and loan facility activity coming through, which is promising.

Richard Smith: I think a definition of recovery on the ground would be to see markets generally working more efficiently. Markets have widely experienced a downturn, for example change of ownership transactions just fell off the cliff. However, the market is just now finding a right price and we are starting to see a few more deals coming through which is encouraging.

What are the main lessons to be learned from operating in the recession?

Gerald Waterfield: I’d sum it up with the word: ‘communication’. How many times have we seen people with cashflow difficulties failing to talk to creditors? Businesses have got to communicate effectively and get their message across clearly to everyone they do business with, including the banks, accountants, lawyers, credit insurers, customers and suppliers, and not least their own people.

Rob Kenmare: The key thing that businesses should take out of the last 12 to 18 months is a good, hard look at what works in their business and what doesn’t. People need to get out of the mindset of surviving to the end of the month and making short-term, tactical reactions. They should use what they’ve learnt to come up with forward-looking strategic plans because the businesses that have survived will be fitter, leaner and tougher.

Sean Williams: Businesses have succeeded or failed on the quality of their management and ability to manage cashflow effectively. It goes back to confidence and once this returns to the market and people invest in capital equipment and planning for the future, we’ll start to see the recovery come through more strongly. Cash and the sensible management and use of cash will be a big driving factor as we move forward.
Andrew White: A number of things of spring to mind. One is knowing where you are now, which means having a relevant set of accounts, up to date management information, and a firm understanding of that information. Secondly, planning – what does the next six months look like? What does the next 12 to 18 months look like? The third thing is if you need facilities from the bank, ask early. It’s taking banks longer to make decisions than it was 12 or 18 months ago so a good working relationship with your bank and an early conversation will put you in good stead.

Is the region better-placed for recovery than other parts of the country?

Simon Joyce: We have a large proportion of SMEs in the area which means management teams are in touch with what their next step needs to be. But there’s also flexibility and we’re seeing well-managed businesses that have drawn in costs and are better placed now. Some are growing or investing, so if we look at Lancashire as a whole, I think we’re slightly better placed than some other regions because we’ve got more adaptability on the ground.

Gill Gardner: We don’t have such pronounced peaks or troughs, so whereas in the South East there’s been a boom in the last 10 years, we haven’t experienced that in quite the same degree and this makes us better placed to see out a recession. Sometimes it’s been frustrating that Lancashire hasn’t had its fair share of venture capital investment, but this does mean there’s a more resilient business base when you have to bunker down in a recession.

Gerald Waterfield: The danger we’ve got is that we don’t know how much is going to get pulled out of the public sector that in turn supports the SMEs. Other than that, I think yes, it’s a well spread region and we’re not dependent on any one major industry that can cause all sorts of problems if there are substantial cut-backs.

Stephen Gregson: A lot of businesses seem to have reacted with greater agility and speed than in the past. Many have made decisions to avoid wholesale redundancies and instead looked carefully at staffing utilisation, only making cuts where it was absolutely necessary. I know of several businesses which consulted with employees early on about pay freezes, reducing overtime, moving to part-time working, that type of thing. This nimble reaction has had the beneficial affect of preserving a critical mass within the business so that it is able to take advantage of any upturn when it comes.

Is the prospect of an election adversely affecting recovery?

Peter Hine: It’s a pity that things have fallen on the political cycle whereby the recovery is a hostage to political fortune because you wonder whether the politicians have got an eye on the recession or an eye on winning the election. The result is that some of the policies that are being put forward may not necessarily be the best for the recovery. They might be the ones the politicians think will improve their poll ratings and get them elected.

Rob Kenmore: At the moment we don’t know for certain whether it’s going to be a Labour or Conservative government. Everyone thinks it’s going to be Conservative and, if it is, then we also need to know who is going to be the leader of the opposition? Is it going to be Gordon Brown or somebody else? Perhaps we need to get
that out of the way so we can build certainty into what the tax regime is going to be like and what the spending situation will be.

**Raymond Green:** Whichever party is coming in, it would be good if they said they would not introduce any more changes in commercial and corporate law for a year or two, or even that they were not going to introduce any more changes that would make things more difficult for SMEs employing people, or getting on with running a business. There’s so much red tape and there’s so many promises to get rid of the red tape, but this never happens. They just put more red tape on top of the red tape.

**Andrew White:** You’ve got all the political parties talking about different ways of cutting government expenditure. An early decision on where those cuts are going to come, how deep those cuts are going to be, will enable businesses to plan and know what’s coming. There are also a lot of companies in this region that depend on government investment and they, too, need to know how the public spending situation is going to play out.

**Is the corporate deals market a barometer of recovery?**

**Peter Hine:** The big deals don’t seem to be floating around but there’s a lot of people spotting small opportunities and buying partly out of reserves, partly out of external finance so things are picking up. Having said that, we’re certainly a long way from the place we were at two years ago, but maybe that wasn’t the right place, or a sustainable place, and we aren’t going to get back to that so quickly.

**Keith Melling:** We’re starting to see one or two encouraging transactions come through and we’re seeing banks putting acquisition finance in place. I think the difference is the time it’s taking to get to completion. Banks, management teams and VCs are all looking a lot harder and more closely at the deals on the table.

**Rob Kenmare:** There’s a lot more earn-out deals coming in – in other words, ‘We’ll pay you what you want if it actually makes what you think it will make.’ Vendors are getting involved in this way and there are also lots of deferred consideration transactions as an alternative means of structure and finance.

**We’d like to thank our panel for participating in this debate.**
2010 marks the return of the 17.5 per cent UK VAT rate and the start of a five year EU plan to try to reduce VAT fraud from foreign trade in goods and services.

New international VAT rules from 01/01/2010

From New Year’s Day any UK business which buys or sells outside the UK will need to comply with new rules to try to combat EU VAT fraud which include:

• Accounting for VAT where the customer (i.e. not the supplier) belongs
• Filing a new EU VAT sales list return for international services
• Filing existing EU VAT sales list returns for sales of goods much earlier
• Filing a new electronic VAT reclaim form to recover EU VAT paid in other countries

Huge sums of money are usually involved with these frauds and everyone should be very wary of any unusual deals which sound too good to be true as they usually are.

Under the new anti-fraud rules UK businesses which buy or sell outside the UK will need to:

• Account for UK VAT through their UK VAT return on bills received from some offshore suppliers – e.g. a call centre in (say) India – i.e. to account for VAT where the customer (not the supplier) belongs
• Update systems to ensure that new VAT sales lists for services and much earlier VAT sales lists for goods can be filed on time
• Ensure systems allow electronic VAT claims for VAT incurred in other EU countries to be made

New VAT rate from 01/01/2010

Also, spare a thought for the pub or hotel which hosts your New Year’s Eve party when the new 17.5 per cent VAT rate kicks in at midnight on New Year’s Eve as 2.5 per cent extra VAT is due on sales after Big Ben rings in the New Year – to say nothing of all the shops and stores who open for the sales on New Year’s Day!

To help with problems like this special rules to avoid unfair results on sales that span January 1, 2010, have been dusted down from the last time VAT went up in 1991 to help ease the change for businesses and consumers and we can help you with these at any time.

Please do get in touch if you would like any help or guidance with these new rules.

Contact

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Update on new Companies Act rules

BY JAMES TREADWELL, PARTNER

At long last the final raft of changes to the Companies Act 2006 have come into force. From October 1, 2009, the remaining provisions became effective, which give the registrar of companies a range of new powers, as well as new forms and procedures for businesses to follow.

One thing to note is that in order for documents to now be considered ‘properly delivered’ they must be filled in using just black ink, either typeface or manuscript. So care must now be taken to ensure all text – including the signature – is now in black.

Another key change to be aware of is that the concession permitting 14 days to re-file rejected documents, such as illegible documents, is no longer available for documents due to be filed after October 1. Therefore, companies will no longer have 14 days from the date they receive a rejection letter to amend and return their accounts in an acceptable format without incurring penalties.

All Companies House forms changed on October 1 and the new ones must now be used for all company events – from change of registered address and annual returns to change of company name and winding up. All old forms will be rejected.

It has now been made easier to set up and run a company following a number of changes to the incorporation process. The memorandum of association is now a much shorter document, where each subscriber has to provide evidence of their intention to form a company and become a member of that company. Also, authorised share capital has been discontinued on incorporation.

Every director must now provide Companies House with their usual residential address and – for each directorship they hold – a service address. The residential address will be protected information but the service address will be on the public record and will be public information.

Directors can choose any address as the service address, including the company’s registered office address. However, the service address must be where documents can be delivered and an acknowledgement or receipt be provided if needed. The address cannot be a PO Box or a DX number.

If directors choose to use their residential address as the service address – the fact the two addresses are the same would not be apparent from the public record.

Companies can now also enter into an agreement with the registrar that it will file specified documents electronically only – using Protected Online Filing or PROOF. This will allow companies to protect themselves against the risk of being hijacked or having false filings made against them.

As you can imagine there have been far too many - and complicated - changes to include them all in this article, so if anyone’s in any doubt as to what the implications are to their business they should seek expert advice.

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Setting up a business has been made easier
European Court case rulings on sick leave could leave firms feeling more than off-colour

BY TINA CLAYTON, HR CONSULTANT

BUSINESSES may need to review their sick leave policies or risk facing tribunal hearings in the wake of recent European Court of Justice (ECJ) rulings.

The warning comes after two European Court of Justice cases ruled that in certain circumstances an employees’ holiday entitlement should be allowed to be carried over to the next annual leave year.

In the most recent case, Pereda v Madrid Movilidad SA, the ECJ ruled that employees who fall sick while on leave should be allowed to reschedule their holiday, even if it meant within the next leave year.

So, until UK case law clarifies the situation, it not only leaves a grey area in the law but also businesses in limbo as to whether they should revise their sick leave policies or not.

While in another case earlier this year, Stringer v HMRC, the ECJ ruled that workers can accrue holiday pay while they are on sick leave, and that holiday should be allowed to be carried forward.

However, the UK’s Working Time Regulations (WTR) specified in April this year that it is unlawful to carry over more than eight days per year.

The Government has yet to confirm whether it will allow up to 28 days’ annual leave to be carried over to the next year until it has examined the terms of the judgement.

If the Government does amend the WTR it means that employers may need to change their sick leave policies to allow annual leave to be carried forward into the next year, although, if introduced, the new legislation probably would not come into force for another year or two.

These potential changes to WTR will have massive cost and administrative implications for companies.

Sickness absence already costs British businesses billions of pounds every year and some employment experts claim the changes could be a “costly blow” to businesses, which will be forced to allow workers who fall ill while on annual leave to retake those holiday days at a later date.

It could also lead to some employers taking a tougher stance with employees by demanding stronger proof of their illness or being much less willing to accept long-term absence.

Although no decision has yet been taken in the UK this is one high profile issue businesses must keep an eye on.

Therefore, before making any procedure or policy changes it is vital that companies keep in contact with their human resources advisors - otherwise they could unwittingly breach regulations and face a potentially costly tribunal hearing.

‘THESE POTENTIAL CHANGES TO WTR WILL HAVE MASSIVE COST AND ADMINISTRATIVE IMPLICATIONS FOR COMPANIES’
IS LANCASHIRE’S AEROSPACE INDUSTRY STILL FLYING HIGH?

BY BEN BRIGGS, EDITOR, LANCASHIRE BUSINESS VIEW

What made these figures even tougher to take was the fact that BAE Systems has been a beacon of growth and stability amidst tough recessionary times for the Lancashire economy.

As autumn loomed large and the business world righted on its axis after the summer holiday period, BAE Systems dropped a jobs bombshell.

More than 370 Lancashire workers, it announced, were facing redundancy as the company adapted to shifting manufacturing requirements at its Warton and Samlesbury sites.

According to the omnipresent aerospace giant these job losses were part of a wider strategy to reduce its UK workforce by more than a thousand.

And if the Tories are to be the party of budget cuts, this has even greater local significance if you think that the current MP for Ribble Valley and Fulwood is none other than the Conservative’s Nigel Evans.

The immediate reality may be that the proposed job losses are part of a natural readjustment by the firm as it copes with the end of Airbus contracts and decreasing demand for Nimrod, Tornado and Hawk aircraft.

BAE Systems remains pivotal to the Lancashire economy both in terms of direct employment and the supply chain it supports, but September’s announcement revealed that jobs cuts were not simply the domain of struggling companies.

The firm’s expansion at Samlesbury, the construction of huge office buildings there along with a futuristic new reception area have been a signal of intent by BAE as it exploits the benefits of world-wide contracts.

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What must Evans be feeling now that his party colleague Osborne has set them up as the party of cuts? With a majority in excess of 12,000 I doubt he’s too worried, but then again there are a lot of BAE workers living within his constituency so a voter backlash is not out of the question.

The hope from a business and employment perspective must surely be, however, that BAE is able to keep expanding and keep on playing a key role in the local economy. Lancashire has a vibrant and dynamic economy and everything should be done to ensure it stays that way.

Lancashire Business View is the county’s leading business magazine, to subscribe visit www.lancashirebusinessview.co.uk
ONE of the key dates on the awards ceremony calendar for the region’s accountants and business chiefs is held in November.

The North West Society of Chartered Accountants 2009 Accountancy and Business Awards – called The Big Four – is being held at Stanley House Hotel, Mellor, near Preston, on November 26.

Yorkshire Bank is sponsoring the awards and there are four categories in the event:

- Accountancy rising star
- Accountancy firm of the year
- Business person of the year
- Business of the year

And for the first time ever the judges will also present a President’s Lifetime Achievement award to a regional ICAEW member who has made an outstanding contribution to the accountancy profession.

The North West Society of Chartered Accountants was formed in 1965, having previously been the North Lancashire Branch of the Manchester Society of Chartered Accountants.

The Society currently has over 1,600 members working in Lancashire, Cumbria and South Lakeland. It operates with the Liverpool and Manchester Societies as the North West Region of the Institute of Chartered Accountants in England and Wales (ICAEW).

Moore and Smalley has enjoyed several successes at the North West Society of Chartered Accountants annual awards over the years, including being crowned Accountancy Firm of the Year in 2008.

Lancashire Sports Awards 2009

LANCASHIRE’S sporting community will be on their marks to celebrate another year of fantastic achievements at its annual awards event.

Lancashire Sports Awards 2009 is the largest celebration of amateur sport in the Red Rose County, and have been developed in partnership with each of Lancashire’s local authorities to help celebrate sporting achievement and also spread best practice.

Now in its eighth year, Lancashire Sports Awards pays tribute to people of all ages who are dedicated to performing at the highest level or those who work tirelessly to support clubs or individuals for the love of sport.

Each local authority in Lancashire has been hosting its own awards competition and taking nominations in each of the following categories:

- Coach of the Year
- Community Club of the Year
- Young Volunteer of the Year
- Rising Star
- Special Recognition
- Lifetime Achievement – Commitment to Sport

The winner of each category in every local authority is automatically put forward to the County Awards, with the winners being announced at the Lancashire Sports Awards Evening.

Lancashire Sports Awards 2009 will be held at The Paradise Room, Blackpool Pleasure Beach, on Friday, November 13.

Lancashire Sports Partnership is the strategic County Sports Partnership (CSP) for the Red Rose County. It works with its partners to actively contribute to increasing participation and widening access to physical activity and sport.

The partnership is made up of different organisations with a vested interest in achieving the same goals. It includes local government, sport governing bodies, police, education, the health sector, volunteering and media partners.

For further information about Lancashire Sports Awards 2009 visit its website www.lancashiresport.org.uk/sportsawards or phone 01995 642235.
The latest results from the YouGov Place index poll did not make happy reading for those of us who care about Preston. 10,000 people are interviewed about their views and perceptions about sixty cities from across the country.

Preston has the dubious ‘honour’ of featuring negatively in seven of the eleven categories, featuring in the bottom ten cities in the following areas:

Atmosphere (54th); Safe to invest in (55th); Visit/recommend to a friend (55th); Good quality restaurants (58th); Varied choice of shops (51st); Least desirable cities (55th)

Worst of all, in the ‘cultural experience’ indicator, Preston was 60th!

On the back of this bad news came the announcement that one of the preferred developers for the £700 million Tithebarn city centre regeneration project, Grosvenor Developments, had pulled out of the scheme.

Though their developer partners Lend Lease, and Preston City have expressed a desire to continue to press ahead with the initiative, which will need a further investment of £800,000 for the public inquiry that has been ordered by Government planners, scepticism about the practicalities of Tithebarn ever being delivered, healthy even before the Grosvenor announcement, is now rife across the city’s business community.

That will require some new build, but the regeneration of existing business areas, most obviously Winckley Square, would attract interest and new companies into the city.

There is massive potential and opportunity for Preston as we look to the future. As a location, it is ideally placed for businesses. However, to maximise that advantage, we need to be offering quality commercial space and an attractive city centre environment.

And there is a desperate need for our transport infrastructure to be improved. The bus station, many people’s obsession I know, should be demolished at the earliest opportunity, freeing up seven acres of prime development land, and enabling us to put in place a transport strategy that is fit for the twenty first century. A debate about the introduction of a tram system, and upgrades to the county’s rail network should also be on the agenda.

The past month may not have been a great one for Preston. But if it leads to some fresh thinking about the city’s future direction, then out of adversity may come a source of renewed strength.
BANK OF ENGLAND EXPERT UNVEILS NEW-LOOK KENDAL OFFICE
A LEADING Bank of England expert briefed Kendal businesses on the UK’s economic outlook when he attended the unveiling of Moore and Smalley’s new-look offices.
John Young, a North West representative for the Bank of England, visited the firm’s Kendal offices at Murley Moss Business Village, Oxenholme Road, as part of celebrations to mark its expansion and refurbishment.
At the event Mr Young spoke about the economic and financial outlook for the UK, as well as the future path of inflation, and challenges around commercial and household lending.
Moore and Smalley partner Michael Proudfoot said: “We were honoured to have such a respected economist help us to mark the official unveiling of our newly-refurbished and expanded offices.”

SOUTH Lakeland businesses raised almost £1,000 for charitable causes supported by The Rotary Club of Kendal South.

Eight local businesses took part in the quiz, held at the Castle Green Hotel, Kendal, including Barclays, HSBC, Temple Heelis Solicitors, Moore and Smalley and Lloyds TSB. Hayton Winkley solicitors walked out winners, while runners up were the Royal Bank of Scotland.

Some of the cash raised will go towards The Rotary’s ShelterBox project, which responds to natural and manmade disasters worldwide by providing emergency boxes containing a tent, tools, clothing, food and other lifesaving supplies for an extended family of up to ten people.

John Seller, president of The Rotary Club of Kendal South, said: “We are extremely thankful to Moore and Smalley and all of the teams that took part in what was an enormously enjoyable evening.”

Moore and Smalley quiz master, Graham Gordon, added: “Special thanks must go to Barclays Bank who matched the initial £498 raised on the evening to give us our total of £996.”

MOORE AND SMALLLEY NEWS

VERNON CARUS CLAIMS PALACE SHIELD TITLE
ANOTHER great cricketing season came to a close when England won the Ashes – and Vernon Carus scooped the Moore and Smalley sponsored Palace Shield.

Vernon Carus took the 2009 title adding to its season’s haul of silverware after they had already won the Crabtree Cup.

Longridge won both the Meyer Cup and Laxham Cup after beating Fulwood and Broughton, and Thornton Cleveleys respectively.

The team of the month for August and September was Croston with 58 points from six games in Division 2, while the player of the month was Mohammed Nadeem for the second successive month.

He made 336 runs from six games to follow his 307 runs in the previous five – batting form which would have smashed all league records if maintained for the whole season.

MOORE AND SMALLLEY MASTERMINDS CHARITY QUIZ
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What the media says

MOORE and Smalley has maintained its high profile on the media front after securing coverage in key news websites and print publications.

Rachel Marsdin, a director based at the Kendal office, made the front pages of the Westmorland Gazette when she was quoted in a story on Cumbria’s tourism industry facing a double tax whammy.

The firm also made front page news in the Lancaster and Morecambe Reporter after corporate senior manager Richard Hall was appointed to the board of directors at The Dukes theatre – where his great-great-grandfather laid the foundation stone back in 1869.

Moore and Smalley’s head of financial planning and wealth management, Graham Gordon, was quoted in a feature on shares run in North West Business Insider.

Deborah Wood, the firm’s specialist healthcare partner, wrote a feature on how recent changes will impact on medical practices’ funding for 2009/10, which was published in national trade title Management in Practice.

The Blackpool Gazette included comments from Mike Hardaker, corporate services director, urging hoteliers to invest in their businesses. The paper also quoted partner Damian Walmsley on interest rates and partner Andrew Norman on a story about tax havens.

Partner James Treadwell appeared in the Lancashire Evening Post warning companies on the importance of management information. James also featured in Lancashire Business View’s Young ‘Uns 2009 feature – the magazine’s annual review of the region’s young movers and shakers.

www.mooreandsmalley.co.uk

Moore and Smalley LLP is a limited liability partnership registered in England and Wales: No. OC313896. Registered Office: Richard House, 9 Winckley Square, Preston, Lancashire PR1 3HP The term “partner” indicates a member of Moore and Smalley LLP who is not in partnership for the purpose of the Partnership Act 1890. A list of members is available from our registered office.

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