



GEARING UP FOR GROWTH

By Malcolm McGready

After listening to the business news on the radio on the way into work in the morning I sometimes feel I should turn around and head home. The headline stories are by and large negative: commodity prices rising; economic growth slowing and so on.

One of the privileges of my job is that I see many businesses across a variety of sectors and how they are performing. While I believe conditions remain challenging, and look as if they will be so for some time to come, this is by no means a universal truth. Every day I see positive signs such as businesses exploiting a niche or finding a new opportunity. It is true to say that there have been and continue to be opportunities for businesses to grow in the current economic climate. I believe it's also true to say that while we can't predict when this current cycle will end, at some point growth will return and it is important for businesses to be ready. Below, I list some key areas I would encourage businesses to focus on:

Keep your eyes open: Some businesses will struggle in the current economic environment and this could provide an opportunity to

make a strategic acquisition at a good price, especially as the recovery period seems to be lengthening. Similarly, where an owner manager has been holding on waiting for multiples to recover before exiting, a realisation of an extended recovery period could again yield a good deal for a potential acquirer.

Employee opportunities: The recruitment market has become more active so it's important to look after your own key staff. However, with more candidates coming onto the market it is also a good time to strategically hire people who are a good fit with your business and could drive it forward.

Financing: Make sure you've got your finances under control. Managing working capital and bad debt exposure have become important disciplines over the last few years. Consider though where your business is going and whether your working capital, capital structure and banking arrangements meet your needs. If you are looking at an acquisition or some capital expenditure, make sure you speak to your bank

Continued overleaf...



Malcolm McGready

T: 01473 220072
malcolm.mcgreedy@ensors.co.uk

Continued from overleaf...

to ensure you finance it as best you can. Don't be afraid of shopping around and seeing what's out there to make sure you get the best deal.

Emphasis: When the recession first hit, a lot of businesses quite rightly looked at what they were doing and what they could do to survive. When looking for growth it is important to change this emphasis back to a more entrepreneurial, external focus. To grow you need a solid platform from which to do it, but unless you identify a new market to tap into, for example, you'll limit your opportunities to grow. I've seen some of my clients grow in the

last few years by tapping into export markets. Also, from exploiting niche products or services. There are opportunities out there, they just need the right mindset and skills to realise them.

Beware the pitfalls: As with all things risk is an overriding consideration. On paper an acquisition can make perfect sense, but things can soon unravel if the acquired business is not managed effectively from day one. Statistics prove that driving value out of an acquisition is a challenge and often the opposite result is achieved. You need to ensure that you have both the right skills and management resource to dedicate to such a project. Organic growth seems an appealing option, but I would always warn clients against the risk of overtrading.

Have a plan: Ultimately, a lot of this comes back to having a plan. It doesn't have to be the Magna Carta, but knowing where your business is going, how it is going to get there and what the risks are gives you a benchmark and timeframe against which to assess your progress. But, crucially, before you put a plan together the owners and/or managers need to agree on the strategic direction of the business.

Things may appear all doom and gloom – but there are opportunities out there and the good times will return.

CREDIT INSURANCE

HOW CAN IT HELP?...

By Derek Barnett
Coastal Credit Insurance Brokers Ltd



An understanding of credit risk management for small and medium businesses is vital in today's difficult economic times. Credit management solutions must be designed and structured to provide a real advantage to your business and fit with the way your business operates.

- If you've suffered a financial loss through no fault of your own or if you are experiencing payment delays then credit insurance can assist in alleviating the cash flow impact of such events on the financial health of your company.
- In addition, if you are looking to expand into new sectors or international markets then credit insurance can provide critical business information and security against the risks that are often associated with entering new markets.
- Credit Insurance can also help you to manage the risk associated with new customers and markets. Benefits include an early warning system for potential defaulters, improved cash flow through faster payments, and greater insight into your customers' performance throughout the year with underwriters monitoring them daily.

Coastal Credit Insurance Brokers, based near Colchester, Essex are risk management experts with many years experience in all matters related to credit insurance, risk management, receivable financing and debt collection.

For further information please contact info@coastalcib.co.uk or visit www.coastalcib.co.uk

Coastal Credit Insurance Brokers Ltd are fully authorised and regulated by the Financial Services Authority.

WARNING - more PAYE penalties ahead!...

Be warned - HMRC has now started to charge penalties where monthly or quarterly PAYE or CIS deductions are paid late. These new penalties started to apply from May 2010, but employers are only now receiving the notices of the amount of penalty for the year to 5 April 2011.

The penalty is a percentage of the amount of PAYE due, and it goes up, depending upon how often the tax was paid late in the tax year. So, there is no penalty if just one payment was made late, and it then starts at 1% if a few payments were late, increasing gradually until the maximum standard charge is reached; 4% if eleven or more payments were made late. There is also a 5% charge for late payment of annual or occasional payments (such as the Class 1A National Insurance on benefits in kind), and the standard penalties will increase if payments are made more than six months late.

No penalties were issued during the tax year, because until HMRC knew how many payments were late, they did not know the level of penalty to be charged. Where businesses have got into the habit of paying late every month (even if only a few days late), these penalties will therefore be 4% of the PAYE for virtually the whole year, an extremely nasty surprise.

HMRC were aiming to send out a warning letter the first time in the tax year that payment was received late, but it seems that in many cases these warning letters were not received, or the recipients did not understand their significance.

If you receive a penalty notice, you can appeal against it, but you will need to demonstrate that you have a reasonable excuse for making the payments late. Cash flow difficulties, unless they are due to circumstances entirely beyond your control, do not generally qualify as a reasonable excuse.

If you have made a 'time to pay' arrangement with the Business Payment Support Service no penalties should be charged.



Yvonne Graham

T: 01473 220024
yvonne.graham@ensors.co.uk



IS NOW A GOOD TIME TO...



It is true that the current economic climate makes selling businesses more challenging and I am often asked "is this a good time to sell my business?" The answer is an almost politician-like "yes and no"!! Here's why:

✓ The capital gains tax regime has never been more benign

Most business sales are taxed at just 10% of the gain thanks to "Entrepreneurs Relief". There are some important rules and quirks to the legislation which you need to be very mindful of but the prospect of walking away with 90% of the proceeds (up to £10m of lifetime gains) is very appealing.

✓ Good buyers want good businesses

There is certainly a lack of quality on the market at present so if your business is the one that everyone is after you are likely to be able to command a premium.

✓ The timing is sometimes "just right"

Every business has a perfect point in time when its value is at its maximum. Spotting it is hard but it is vital to plan to sell while your business is "on the up" if you want to maximise the money you receive.

X The availability of funding remains tough

Despite various attempts by the Government to incentivise lenders to lend to the SME sector, it remains difficult to secure funding for a business purchase. A lack of liquidity means there are fewer buyers.

X Valuations are down

As a general rule, you will receive less money today for your business than you would 3 years ago. A combination of difficult funding conditions and a general aversion to risk means that multiples of profit (the way most businesses are valued) have fallen.

You can see from the above that the answer is not clear cut but it is certainly worth talking to Ensors before you either rule a sale out or decide to take the plunge.

Our business sale offering is quite different to the bland service provided by national brokers as we take an active role in finding buyers for our clients rather than letting them find us. We only take on a limited number of projects at any one time and look to do things properly – this approach has brought with it great success as is evidenced by the near 100 individuals and companies we have advised.

We offer a free review and impartial advice on the sale prospects of your business. Below is a small selection of our current projects:

Businesses for sale...

Project Firecrest

A highly profitable and cash generative magazine publisher with East Anglian roots and near national coverage. Turnover of £1 million.

Project Coolex

A profitable niche manufacturing business located in East Anglia operating in the HVAC sector. Turnover £3.5m and net profits in excess of 20%.

Project Raleigh

Successful and profitable bike shop for sale in Suffolk. Owners looking to sell to pursue other interests.



David Scrivener

T: 01473 220081
david.scrivener@ensors.co.uk

TEAM TALK...

David Scrivener heads up the Ensors Corporate Finance team servicing the needs of clients across East Anglia.

Liked and respected by clients and other business professionals, David is a hands-on problem solver with a no-nonsense approach and strong communication skills. With extensive market knowledge and excellent contacts, he has a strong reputation for achieving results and pro-actively managing deals from inception to completion.

Q: Why did you choose to go into Accountancy?

A: "Choose" is probably too strong a word. I think my careers advisor got to "A" in the alphabet of professions and I didn't quite cut it as an astronaut. I also remember the alphabet playing a key role in me ending up at Ensors - I looked through the phone book and wrote to both Ernst Young and Ensors. Ernst Young left Ipswich shortly after I wrote to them and the rest is history!

Q: What do you really enjoy about your job?

A: I really enjoy making a difference to a client's working life. It sounds a bit grand but when you help someone sell their business or buy the business they have been working in for years, it really is life changing.

Q: What is the most unusual task you have been asked to carry out at work?

A: I once sat in a completion meeting of an MBO where my client told me that he hadn't told his mum he was doing it - his dad was there as well so I can only imagine how that conversation went down!

Q: If you had to do something different and money and skill was no object, what would you do?

A: Professional cricketer - what other sport stops for lunch and tea?

Q: What's your favourite TV programme and why?

A: Anything with food in it - I love cooking and can watch anyone from Nigel (Slater) to Nigella. Also, literally any sport.

Q: What was your best ever Christmas present and why?

A: Hmm, tricky one. Without the risk of sounding sappy, the best present I had was last year when my daughter was born - a couple of days after Christmas. In fact, I told my wife that she needed to hold on until after Christmas Day because I really didn't want to miss all the food!

Q: If you could invite any 3 people to dinner who would they be and why?

A: Depends who is reading this! If my wife is reading it I would invite her, my little daughter and my mum (to look after our daughter so that we can enjoy our meal).

Otherwise I would invite Rob Brydon, Keira Knightley and Julia Bradbury - an eclectic mix.





BAD DEBTS

HOW TO AVOID THEM

Making a sale can be one of the most rewarding things in business. The fact that you have persuaded a customer to put faith in you or your product, will contribute to the profits of your business.

We have all heard the saying "Turnover is vanity, profit is sanity", but what about "A sale is never a sale until it is banked" – by that, I mean converting the sale into cash at bank.

All too many businesses monitor progress on sales levels and pay scant regard to collecting trade debts. A little known fact is that more than 27% of businesses fail because of the failure of one or more of their customers. Clearly, therefore, businesses ignore credit control and debt collection at their peril.

Where a business extends credit to customers, trade debtors will often be the most significant asset on the balance sheet. Control of that asset should be a key management task. Credit control should begin well before a sale is made, ensuring the customer is credit worthy and will not represent an over-exposure in terms of size of outstanding balance. Once the sale is made, it is important to follow up with the customer to ensure that there is no dispute over the product or service delivered and that the customer intends to pay within terms. Issuing statements will help, but there is no substitute for having a regular telephone dialogue with the debtor. Credit insurance may help to protect against loss on failure of the customer.

If a debtor is showing signs of tardy payment, put him under pressure by stopping new supplies, adding interest to the debt, or issuing a statutory demand. Using a solicitor to assist collection is also a powerful tool, as a solicitor's letter will certainly get the attention of the debtor.

Most businesses will suffer bad debts, and there is more likelihood of that happening in today's uncertain times. Efficient credit control and debt collection procedures will provide the comfort to ensure that sales cycle is completed.

By Mark Upton
Telephone 01223 428328 or
mark.upton@ensors.co.uk

% VAT UPDATE...



VAT INITIATIVE CAMPAIGN

Earlier this year HMRC announced a VAT Initiative Campaign to crack down on individuals and businesses who are trading above the VAT registration threshold but who have not yet registered for VAT. Such businesses had until 30 September 2011 to notify HMRC of their liability to register. If you have already notified under this scheme you should ensure that your application to register is with HMRC by 31 December 2011 to benefit from any reduction in penalties.

From 1 October 2011 HMRC has stated that they will be comparing alternative records, such as accounts, with the VAT register to identify businesses that should be VAT registered and targeting those 'customers'. It will always be beneficial to bring a failure to notify to HMRC's attention rather than waiting for an approach from them so even if you missed the 30 September deadline we would recommend taking professional advice on how to proceed with a notification.



Helen Carey

T: 01206 321029
helen.carey@ensors.co.uk

Changes to treatment of certain supplies made by employers under salary sacrifice arrangements

HMRC has issued Revenue & Customs Briefs 28/11 and 36/11 explaining the changes to the treatment of certain supplies made by employers under salary sacrifice arrangements following a recent European Court Judgment (Astra Zeneca).

HMRC considers that the rationale used by the CJEU (Court of Justice of the European Union) in this case has wider implications than deductions from salary, and as a consequence of this there is no longer a distinction between deductions from salary and salary sacrifice. The judgment has effect from 1 January 2012 and will impact on arrangements such as Cycle to Work scheme, childcare vouchers, catering provided by employers, motor cars etc. where the agreements were signed or otherwise agreed by the parties on or after 28 July 2011. Any business offering such schemes should consider the Briefs and the resultant VAT implications.

Changes to the way Intrastat declarations are submitted from April 2012

HMRC are planning to make changes to the way Intrastat (the system for collecting statistics on the trade in goods between EU countries) declarations are collected from April 2012.

These include:

- Introducing the mandatory electronic submission of Intrastat declarations.
- Bringing forward the monthly deadline from the last day, to the 21st day, of the month following the month to which the trade relates.

Draft legislation will be published towards the end of this year.



ALL4CHARITY...

FROM COUNTING BEANS TO PLANTING THEM ...



A group of enthusiastic gardeners from Ensors recently took part in a garden “makeover” project on behalf of Ormiston Children and Families Trust – transforming a neglected patio area into an attractive, restful sanctuary for visitors. They were helped in their endeavours by John Woods Nurseries who supplied some of the plants and Sackers who assisted by providing a skip.

The team of 10 worked hard all day digging up grassy areas and patio slabs to make flower beds, renovating a picnic table and chairs, building a new bench, providing a lick of paint to fences, fixing trellis and finally planting up borders, beds and pots. The end result being an area for all to use that is easy to maintain and will attract wildlife. And the weather did its bit to help – providing wall to wall sunshine all day and leaving the showers until the weekend.

Jools Ramsey, Ormiston’s Area Manager for Suffolk and Bedfordshire said, “I am extremely grateful for the team of Ensors staff who gave their time, enthusiasm and considerable effort to make such a difference to an area of the grounds which are normally left unused. This has been transformed to a beautiful butterfly garden, and staff are delighted with the new look. I am sure that children and families will feel able to enjoy this area for some time to come.”

Contacts...

For further information on any of the articles in this newsletter, please contact your local office.

Saxon House
Moseley’s Farm Business Centre
Fornham All Saints
Bury St Edmunds
IP28 6JY
T: 01284 722300

Platinum Building
St John’s Innovation Park
Cowley Road
Cambridge
CB4 0WS
T: 01223 420721

Warwick House
Ermine Business Park
Spitfire Close
Huntingdon
PE29 6XY
T: 01480 417800

Cardinal House
46 St Nicholas Street
Ipswich
IP1 1TT
T: 01473 220022

Blyth House
Rendham Road
Saxmundham
IP17 1WA
T: 01728 603005

mail@ensors.co.uk
www.ensors.co.uk



This newsletter seeks to address general business and financial issues and we have taken due care in its preparation. Ensors cannot accept responsibility for loss incurred by any person, company or entity as a result of acting, or failing to act, on any material in this publication. Specialist advice should always be sought in relation to your particular circumstances.

Ensors Financial Planning Limited is authorised and regulated by the Financial Services Authority.

The Financial Services Authority does not regulate tax and trust advice and Will writing.

Ensors Chartered Accountants is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work. **Steven Law** is licensed to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

If you do not wish to receive this newsletter in the future, please contact **Jane Newley** on **01473 220022** or email jane.newley@ensors.co.uk

Follow us on [@EnsorsAccounts](https://twitter.com/EnsorsAccounts)

Anyone for tennis?

On Wednesday 7 September Ipswich Sports Club played host to the inaugural Ensors Charity Tennis Event in aid of Save the Children Fund – raising a grand total of £1,725 for the charity.

14 pairs took part in the event that provided the opportunity for local businesses to enter into a bit of friendly competition whilst raising money for a worthy cause. The mixed double winners were James Potter and Tip Flory representing Superstructures in Ipswich. John Girling (pictured above) and Jason Dove from Ryan Insurance won the men’s doubles competition.



Vicki Hearn, Community Events Fundraiser Save the Children UK, said: “Save the Children are delighted to have benefitted from the Ensors Charity Tennis Tournament and we would like to thank Ensors Chartered Accountants, Ipswich Sports Club and the players for supporting our work. The event has raised over £1,700, which is fantastic and can help change the lives of vulnerable children all over the world”.



ENSORS

Making you more than just a number