

IN BUSINESS

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The Moore and Smalley magazine
for owner managed businesses

**SAGE 50 ACCOUNTS 2013 CUMBRIA FAMILY-
RUN TILE FIRM EXPANDS TO LANCASTER
CAN YOU SPOT A BUSINESS OPPORTUNITY
EXPORT FOR GROWTH A SACRIFICE
WORTH MAKING**

ISSUED IN WINTER 2012/13
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MOORE & SMALLEY
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

Welcome

Welcome to the Winter 2012/13 issue of In Business.

'The Sky's the Limit' was the title of our recent series of free business seminars which we held in three locations throughout the North West. The presentations were packed with tips and advice for owners and managers to take away and implement in their business. We had some great feedback from delegates including comments such as:

"I was completely unaware of many of the changes due to come in under RTI." (Real Time Information)

"I'm now contemplating some of the tax planning suggestions."

"I didn't think the web information would be useful for us, but I learnt a great deal."

"After today, I am going to try and design some of my own Sage reports."

We will be running more events next year so if you missed out this time and are keen to attend future seminars please do let me know and I'll make sure you receive an invitation.

Do you think you can spot a business opportunity? Inside we tell the stories of 4 entrepreneurs who not only spotted an opportunity but also capitalised on it.

I hope you enjoy reading this issue of In Business.

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Sage 50 Accounts 2013 is here



Sage have improved usability and introduced a range of new features to ensure that you are getting the most from your software.

Simplified Processes

Everything you need to manage everyday finances, ensuring infrequent tasks such as month end, financial year end and VAT returns can be carried out with ease.

Improved Reporting

- New user interface with an updated look and feel
- Excel improvements allow users to get financial information without spending hours manipulating the data
- Accurate report descriptions, preview filters and action buttons
- Send invoices by email without having to go into the Report Designer
- Customised reporting function allows users to create professional looking reports to match their business

Quick Tasks

Quickly create invoices, quotes, sales and purchase orders from the product list.

User Interface and Language

Over 1,000 function/feature labels have been updated and improved to ensure users know what they're doing without the need to know accounting terminology or abbreviations.

Sage 50 Accounts v2009 - End of Life

Sage's software lifecycle support has been applied to Sage 50 Accounts v2009.

This means from 30 April 2013 you will no longer be able to renew SageCover and if you wish to upgrade after this date you will be charged the full retail sales price for the latest edition of the software.

From 30 April 2013 SageCover support will be withdrawn and no technical support will be available for that version.

Cumbria family-run tile firm expands into Lancaster

Cumbria-based tile supplier Rees Tiles and Flooring has increased its workforce by 50 per cent and opened a new showroom in Lancashire following a period of sustained growth.

The company, which established its first showroom and warehouse in Milnthorpe in 2000, has now opened a second showroom on Lake Enterprise Business Park in Lancaster to extend its services to cover a larger geographical area, as well as increasing staff numbers from four to six.

Rees Tiles, which imports ceramic and porcelain tiles for a customer-base across the North of England and further afield, puts its recent success down to family business values, high customer service levels and an extensive product range.

The distribution side of the business has also grown to supply some 50 tile shops and bathroom and kitchen showrooms throughout Lancashire, North Yorkshire, Cumbria and Merseyside.

The company is being advised by Moore and Smalley in a number of areas including the business' computerised accounting systems, which have improved financial management and operational efficiency. In addition to accountancy and taxation services, Moore and Smalley has also provided advice on remuneration strategy and share structures.

Steven Armer, managing director of Rees Tiles, said: "We have worked hard to build strategic partnerships with local businesses. This has resulted in orders to provide tiles for locations including the Riverside Hotel in Kendal, Lancaster House Hotel and The Sun at Troutbeck Bridge. Further afield, we have supplied a national clothing retail chain, including outlets in the Trafford Centre in Manchester, Bull Ring in Birmingham and Oxford Street in London.

"Our success is a result of our friendly, family business values which place great emphasis on excellent customer service. We look after our customers every step of the way and make sure that they are completely satisfied."

Adam Parton, corporate services director at Moore and Smalley, said: "Rees Tiles is a great example of how SME businesses with an entrepreneurial approach and capable

management team can succeed, despite the austere climate. It's especially fulfilling to see our services bear productive fruit in this way and I'm confident that Steven and his team will go on to achieve even greater success."

Among the challenges facing Rees Tiles is combatting a perception that high street chains provide cheaper products. "Prices

are roughly comparable and we often stock higher quality products," said Steven.

Looking ahead, he intends to continue expanding the firm's market share in the Lancaster area. In the longer term, opening a third location remains an option, along with further growth of the distribution side to cover an even larger area.

'Our success is a result of our friendly, family business values which place great emphasis on excellent customer service.'



L-R Adam Parton of Moore and Smalley with Steven Armer of Rees Tiles

Can you spot a business opportunity?

The ability to spot a new opportunity is one thing, but having the initiative and the confidence to seize it is another. The phrase ‘luck is when opportunity meets preparation’ is often quoted, so if opportunity comes knocking, how can you be prepared to maximise it?

We asked a handful of North West entrepreneurs about the opportunities they capitalised on and their advice for other entrepreneurs looking to do the same.

The panel comprised **Richard Neilson**, director of Developchange, a performance improvement consultancy business based in Penrith; **Steven Armer**, director of Rees Tiles, a leading supplier of imported ceramic and porcelain tiles; **Maria Whitehead**, director of Hawkshead Relish which manufactures award winning relishes in the Lake District; and **Stuart Taylor**, director of The Orange Tree Hotel and Kirkby Lonsdale Brewery.

What’s the best business opportunity you’ve been presented with and how did you take advantage of it?

Richard Neilson: A former colleague recommended us to a top 4 UK supermarket group when they were looking to deliver leadership and coaching training. We had only been established for 6 months and at the time we didn’t even have our website up and running!

Steven Armer: We did some market research and realised there was gap in the market for tiles and flooring in Lancaster and the surrounding area. It was an opportunity to open a new showroom that we decided we couldn’t miss.

‘We realised we had to think and act like the business we wished to become.’

Richard Neilson



Maria Whitehead: It might sound shocking, but the Foot & Mouth epidemic made us completely rethink our strategy. Our thriving cafe business was suddenly pitched into disaster as trade vanished overnight, no customers, no income, a huge overdraft and two small children.

Stuart Taylor: We came up with the idea of opening a brewery as we thought it would be beneficial to our existing pub and hotel business, The Orange Tree. At the same time we wanted to put Kirkby Lonsdale on the map, not only as a great place for visitors but also for producing a quality product.

How did you weigh up the risks associated with the new opportunity and overcome any doubts?

Richard Neilson: We knew we’d be up against established competitors, and with little track record as a company, we only had our personal experiences to draw upon. We knew that our proposition was good and we had faith in our ability to deliver the solutions they were looking for. Our biggest doubt was about the pitch. Although our business plan was to target the big PLCs, this was our first real test. We realised we had to think and act like the business we wished to become. This meant taking a bold approach and putting aside any personal doubts.

‘Surround yourself with people who share your passion.’

Maria Whitehead



Steven Armer: There are always risks when expanding a business: Will it work? Will people know we are here? Will it be profitable? We had to believe in the competitor analysis and trust our instincts. We’ve always had a strong focus on customer satisfaction and this, combined with our great products, we believe, makes us stand out from the rest.

Maria Whitehead: The main risk at the outset was that we may not sell enough of our products to be able to buy more ingredients and jars. We talked to lots of people, especially the bank, sending samples and a simple business plan. In the end it was the support of the bank that made all the difference to our success.

Stuart Taylor: We calculated the risks of establishing a brewery by researching the demand for real ale which nationally was, and still is, bucking trends of other businesses and showing growth. The main risk that we could see was the product itself, we had to be sure we could brew quality consistent beers to win and retain customers.

‘Make sure your ideas are viable before you get carried away.’

Stuart Taylor



What impact did this new opportunity have on your business and how did you respond to those changes?

Richard Neilson: Our first big client win gave us the growth in revenue we wanted. In addition, having a ‘top drawer’ client on our books has helped us to win new work. Their name and our track record has made it easier to promote ourselves using a suite of successful case studies.

Steven Armer: As the business expands we’ve had to take on more people and I’ve had to learn to trust my team and delegate responsibility.

Maria Whitehead: The business has changed dramatically. We’ve gone from being completely without trade to being busy making products. We began by selling just 12 jars at a time to selling thousands globally.

Stuart Taylor: We have had to make staff changes within our existing pub and hotel business so that we could brew more to meet a growing demand.

Most business owners have good ideas, but what qualities does an individual need to bring them to fruition?

Richard Neilson: A sense of direction underpinned by clear values and beliefs. I think also having an eye on the long game is enormously helpful, thinking about the business you want to become enables you to keep focused. It helps to be resilient and not easily put off by the inevitable setbacks.

Steven Armer: Confidence in yourself and your ideas is very important, if you doubt yourself others will too. Good planning and time keeping skills are essential so make a plan and stick to it.

Maria Whitehead: Absolute belief in yourself and your product are necessary qualities for success. However, you need to be willing to listen to those around you. Take on board criticism and adapt if necessary. Carrying on with an idea or product that just will not sell is the downfall of many.

Stuart Taylor: Stay grounded. Putting business ideas into practice needs to be done with your head not your heart. Make sure your ideas are viable before you get carried away.

How can busy entrepreneurs with hectic schedules ensure they are best placed to identify new opportunities?

Maria Whitehead: Delegation. Surround yourself with people who share your passion and can work up your ideas and feed off your desire then you are free to move on to the next idea. It’s also key to know your own strengths and weaknesses and let others work on the areas they are better at, even if it can be difficult to accept.

Richard Neilson: Keep scanning the horizon, reading specialist press and internet sites for trends and issues. Most importantly, give yourself the time to plan and that means delegation and using appropriate professional services to free up your time. Don’t try to do everything yourself – even if this means investing some of your hard earned profits upfront.

Stuart Taylor: Busy schedules mean that business opportunities may pass you by, but having a good team around you can help to make sure you don’t miss any.

‘Confidence in yourself and your ideas is very important.’

Steven Armer



Seizing opportunities means moving quickly, but sound planning is also crucial. How can business owners build that flexibility into their business?

Maria Whitehead: I hear so often the phrase that as an entrepreneur you should be “Working on the Business” and not “Working in the Business.” In some respects that is easier said than done, and certainly the opportunity for this only comes further down the line, but it is a valid one. You can see the bigger picture much more clearly when not encumbered with the day to day stuff. As a fairly small business we are able to adapt quickly, so if we are presented with an opportunity that may require a fast turnaround, we are ready to react and make it happen in a way that a larger business may struggle to cope with.

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Export for growth

The performance of the UK's small businesses is crucial to the country's economic recovery and several initiatives have been launched in a bid to encourage smaller businesses to grow by expanding into overseas markets.

Survey results

The MHA Manufacturing and Engineering Survey carried out earlier this year produced some encouraging findings in respect of export activity, particularly for SME's. 72 per cent of those surveyed were already actively exporting, with the Eurozone emerging at the top as an export destination, followed by Asia and North America. For those surveyed, the national outlook was positive, with 78 per cent predicting growth to some degree.

Growth strategy

Exporting can be good for the growth of a business. It can lead to job and wealth creation, and can result in increased competitiveness and ultimately survival. In addition to potentially increased turnover activity, exporting can lead to an improved profile and credibility, product innovation and the creation of new ideas for the business. The decision to export shouldn't be viewed as an add-on to the existing business but rather as part of an overall growth strategy.

Challenges

Expansion by moving into international markets does bring with it some challenges and these can include financial, regulatory, commercial and logistical issues. Extensive research and the development of an export plan is essential when considering exporting to evaluate the risks and costs involved and develop a strategy to deal with them. In addition to the normal business challenges of locating a customer and convincing them to buy a product or service, exporters are also faced with understanding differing markets and customer needs. Many respondents to the MHA Manufacturing and Engineering Survey indicated a key issue for them was the requirement for better understanding of sourcing and local partners. Factors such as language, finance, contracts and local compliance requirements must all be considered.



'72 per cent of SMEs surveyed are already actively exporting'

Regulations

Regulatory issues can have a significant impact on the export cycle and have to be considered at both ends of the supply chain. For example, some goods that are sold in the UK may not satisfy another country's local requirements and standards or could even be illegal there. Smooth logistics rely upon contracts being drawn up using internationally recognised terms and conditions. The contract should provide clarity as to each party's responsibility in respect of delivery terms including transport paperwork, customs documentation, licences etc. in addition to terms of payment.

Finance

Financing of exports brings new challenges to a business that has historically only traded in its home country. Longer lead times, language barriers and the requirement to transact in foreign currencies can make the financing of exports seem complex. It is vital to anticipate and plan for fluctuations in cash flow and have the appropriate finance mechanisms in place. This may require discussions with the bank and alterations to existing facilities to better suit the changed business model.

Whilst some of the challenges that exporting brings to a small business may appear daunting, they can be overcome with good planning. If the product offering is good, the rewards outweigh the risks and the business is well run then exporting should be considered as a good opportunity for expansion.

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A sacrifice worth making?

Salary sacrifice (also termed salary exchange) is a contractual arrangement whereby an employee gives up the right to receive part of their cash remuneration in return for their employer providing some form of non-cash tax-free or tax-favoured benefit. This is a common arrangement used by employers to save National Insurance.

Non-cash benefits

There are a number of different non-cash benefits that can be provided which include, for example, pensions, nursery care, bikes, low-emission cars, mobile phones, extra holiday etc. There are some other less well-known ones too which work if the circumstances are right such as exchanging salary for day-subsistence allowances, for car parking spaces and for uniforms.

Contracts of employment

Where an employee agrees to a salary sacrifice in return for a non-cash benefit, they give up their contractual right to future cash remuneration. Statutory earnings-related payments such as Statutory Maternity Pay (SMP) and Statutory Sick Pay (SSP) are based on cash earnings and so will potentially be affected by salary sacrifice arrangements. The impact on an employee's

tax credits position will also need to be considered.

Whether contributions into an occupational pension scheme are affected by salary sacrifice is up to the employer and the terms of their pension scheme. If the scheme rules permit then they might introduce a 'notional' or 'reference' salary to ensure that other salary-linked benefits, and final salary pensions, do not fall along with the salary sacrificed.

Benefits of salary sacrifice schemes

The main financial benefit of salary sacrifice arrangements is the saving of National Insurance. And these potential savings will only increase following the recent hikes in National Insurance rates (up to a current combined employer and employee rate of 25.8% in some cases). Savings can be made by both employer and employee of National Insurance and in many cases the employee will save tax too.

For example, it has been estimated that childcare vouchers save employers around £370 a year for every employee who orders the maximum number of vouchers. If multiplied across 25 employees, this would give the employer an annual NI saving of £9,250.

Issues to consider

Salary sacrifice arrangements should only be implemented where there can be clear evidence of a change in the employee's contract of employment (which shows they no longer have entitlement to the original salary).

It is also advisable that the salary sacrifice arrangements actually run for a reasonable period of time; whilst the required period is not set out in legislation, it is suggested that the arrangement should run for at least 12 months.

And any salary sacrificed under these arrangements should not take pay below National Minimum Wage rates.

Employers and employees who are thinking of entering into salary sacrifice arrangements should always obtain professional advice. Our employment tax team can discuss with you the full range of possible tax-free or tax-favoured benefits you could consider operating a salary sacrifice plan around. They can help you to develop and implement your salary sacrifice scheme and to get HMRC's approval of the plan once it is in place. And, following the scheme's implementation, they can also undertake a review to ensure that it continues to meet the original objectives set.



'The main financial benefit of salary sacrifice arrangements is the saving of National Insurance'

Smalleytalk

Matthew's hard work adds up to perfect exam record



Moore and Smalley's Matthew Haughton has gained a globally recognised industry qualification after passing 11 tough exams at the first attempt.

Matthew Haughton, 24, an accounts and tax specialist at Moore and Smalley Chartered Accountants, has gained the Association of Chartered Certified Accountants (ACCA) qualification following three years of intense study.

Matthew, who started at Moore and Smalley in 2006 as an accounts assistant, had earlier gained the Association of Accounting Technicians (AAT) qualification, also after three years of study.

He said: "I've had six straight years of exams alongside work, so it's a big relief to have passed them all. As well as being part of a globally recognised professional body, the qualification means I can now play a greater role in advising our clients."

Tax expert Colin knows all about VAT



Colin Corder with tax partner Tony Medcalf

Moore and Smalley has bolstered its VAT team after seeing an increase in demand for specialist tax advice.

Colin Corder, who has been advising businesses on VAT matters for over 25 years, has joined the firm as a VAT manager, taking the firm's specialist team to four members.

Colin is a former VAT manager at Mitchell Charlesworth Chartered Accountants in Liverpool and has also worked in senior roles at PwC and Baker Tilly, as well as 11 years spent working for HMRC.

Colin, who is originally from Maghull, said: "Businesses are having a hard time of things at the moment and this has led to greater demand for tax compliance services such as appealing default surcharges, penalties and assessments and also negotiating 'Time to Pay' arrangements. There are also signs that land and property deals are picking up again, which is leading to more proactive VAT consulting work."

Making the News

Moore and Smalley has once again been involved in announcing the results of the Lancashire Quarterly Economic Survey.

While the survey showed a general fall in confidence among companies, there was data to suggest that firms remained keen to recruit new workers.

The findings of the survey were revealed at a business breakfast at The Leyland Hotel and were reported in a series of news stories in the Lancashire Evening Post and Blackpool Gazette.

HMRC's latest tax avoidance crackdown targeting the retail and grocery trades has also hit the headlines recently. The firm sent out its own press release warning retailers to ensure they were fully compliant or avoid the risk of damaging tax investigations. The story was reported by a number of regional news publications.

The firm also featured in North West Business Insider's feature on family business succession planning. Stephen Gregson was quoted in the feature explaining how it was again becoming more common for exiting family shareholders to leave money in the business.

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