

It's all about who you know

Most of our new clients come via referrals from our current clients. Thank you for any referrals you have made. If you know a company owner who may be interested in speaking to us, please contact **Roger Blaskey** or **Julian Beressi** on **0161 832 6221** or email roger.blaskey@kayjohnsongee.com or julian.beressi@kayjohnsongee.com

We are keen to include in In Brief profiles of our clients.

If you would like to submit an article, please contact Catherine Mackenzie – catherine.mackenzie@kayjohnsongee.com or 077325 32859.

Building a Better Business Seminar Series

We will be holding a series of seminars from May onward, covering topics such as: business strategies, sales & marketing, raising finance, and looking after your people. Look out for further details over the next few weeks.

Paying more than 40% Income Tax in 2010/11?

In 2010/11, people with income over £100,000 pay tax at a rate of 60% on income in the £100,000 to £112,950 bracket (as personal allowances are withdrawn), and those with an income of more than £150,000 pay income tax at a rate of 50% on the excess.

You may be happy to pay the tax, or you may think that now is a good time to make charitable contributions. Alternatively you could try to save tax by reducing your taxable income or deferring income.

If you are married or have a civil partner then there may be a tax planning opportunity to give an income producing asset to a partner who is then taxed on the income at a lower rate. Employees may be able to sacrifice salary for tax-efficient benefits such as the childcare vouchers discussed later in this issue.

If you think that income tax rates will reduce in the future (and the top rate is the highest it has been since 1987/88!) then you could try to defer income. Individuals might want to switch investments to ones offering a tax deferral, such as bonds with a 5% annual tax-free withdrawal. Business owners are taxed on profits as they arise, so incorporation should be considered. In a company you could defer taking dividends or salary until the tax rate reduces, or leave the profits in the company, increasing its value and the gain on sale.

Another idea is to aim for capital gains rather than income profits, although the efficiency of this planning depends upon the capital gains tax rate at the time you sell the investment. Individuals could switch investments to ones producing a capital return, and employees could be rewarded using certain employee share schemes where the future growth in the value of their shares is taxed as capital.

IN SIDE This issue

It's all about who you know	1
Building a Better Business Seminar Series	1
Paying more than 40% Income Tax in 2010/11?	1
Spot Customers in Trouble	2-3
The Power of Planning	4-5
Personalising your Marketing	6
Funding available for Leadership & Management Courses	6
Tickled Tangerine	7
Budget 2011	7
Changes to the Childcare Vouchers Scheme	7

If you would like to discuss any of these strategies contact Lesley Pangburn at Lesley.pangburn@kayjohnsongee.com



Spot Customers in Trouble

“Cash is King” is an overused phrase, but it is true – cash is king.

All businesses need cash to be able to operate.

We would always recommend that all businesses have a cashflow forecast and plan, so they understand when an injection of additional funding is necessary, or when unnecessary purchases should be put on hold. If you are struggling with such a cashflow forecast, we can help you put one together, contact Roger Blaskey or Julian Beressi to discuss.

But just having a cashflow forecast isn't sufficient. It is vital that you study the forecast properly and look out for any danger signs. In particular you should compare the forecast with actual figures as they become available.

Identifying potential cashflow problems before they happen can help to prevent financial crises. Of course, the earlier you identify potential problems, the sooner you can take action to avoid them. One of the key issues is spotting when a key customer is in trouble, as clearly this can have a knock-on effect on your cashflow.

If just one of your key customers has money problems and can't pay what they owe you, it can have a serious impact on your business. It is vital to be vigilant - you must take action at the first signs of trouble.

You won't always know in advance if any customers are in financial trouble, but bad debts and slow-paying customers can cause big problems for your business, so look out for the signs. A change for the worse in the payments pattern is often the most important sign. In fact, it's often more worrying than consistently slow payments.

If you are concerned that a customer may be in difficulties, there are a number of methods you can use to check their situation, including credit checks and looking at their latest accounts at Companies House.

Signs of customers in trouble: soft evidence

Even without hard evidence, there are several signs that can suggest it's time to check a customer's financial situation.

These signs are often hard to pin down, but they should not be ignored.

Trust your instincts and act on your concerns. If one or more of the following sounds familiar, alarm bells should be ringing.

Mistakes on cheques

It might be an accident and it often is, but it might have been done deliberately to buy time. It is more worrying if it frequently happens that:

- the customer forgets to sign
- words and figures differ
- a cheque is post-dated

Numerous queries

These can include requests for copy invoices. Too many, too late may indicate payment problems.

Cheque in the post

This is perhaps the most common excuse of all and a tried and tested delaying tactic. Try to pin them down on precisely when a cheque was put in the post.

Rumour

It pays to keep your ear to the ground. It is worth talking to your competitors and people in the same business.

Something in the voice

This often alerts people to a problem. The speaker may be lying or trying to cloud the issue and their voice gives them away. Do they appear defensive, aggressive or evasive when you speak to them about money?

Use information from staff

Your sales force is your business' eyes and ears in the marketplace. Without indulging in gossip, encourage your team to share trade talk on customers and suppliers with you. If they visit a customer's premises, they may be able to spot indicators of difficulty such as high levels of unsold stock or smaller or less frequent orders than usual. An unexpected or sudden request for an extension to their credit limit may also indicate a cashflow problem.

Other

Most people hate lying and making excuses. The following signs may reveal they are feeling the pressure:

- they refuse to speak to you
- they never ring back
- they are always in a meeting
- they refer the problem to someone else

If you have any concerns about any of your key customers contact Roger Blaskey roger.blaskey@kayjohnsongee.com or Julian Beressi Julian.beressi@kayjohnsongee.com



The Power of Planning

“I don’t like surprises” was famously said by Lord Alan Sugar on BBC’s Apprentice

Unlike a surprise birthday present, surprises in business are rarely a delight. An employee hands in his notice with a view to working for a competitor. A customer suddenly stops paying you. A shareholder dies. Your landlord seeks to double the rent. Surprises are not pleasant in business.

The power of planning is that it first reduces the element of surprise, and secondly increases profit and thirdly increases the value of your business.

The plan should reduce the amount of time you have to spend working in the business on a day-to-day basis. Suddenly, you have time to go on that cruise and yet, ironically, your business has become more valuable, precisely because it is less reliant on you. Your business is of no use to anyone if it cannot run successfully without you.

Children

So, now is the time to make some decisions. Do you have children working in the business? Do you intend that they will inherit the business? If so the last thing you want to do is to sell it and leave your estate liable to Inheritance Tax on the proceeds of sale. Do you have other children who are not working in the business? Well, let’s make a start by making those children in the business Directors with responsibilities defined in their Directors Agreements and with accountability. A parent can rarely appraise objectively the performance of his own child but that performance must be appraised for the overall benefit of the business. The appointment of a Non Executive Director, someone who can form an objective view of the business will help bridge the gap in terms of appraisal, and mentorship that is likely to be highly valued and appreciated by the young Directors.

Contracts

Your business is worthless if its employees are able to leave and set up in competition. Your planning process will ensure that you check the terms of your Contracts of Employment for senior people. When were the contracts drafted, and by whom? The key is to ensure that the contracts contain restrictive covenants that are drafted specifically to the precise needs of your business. If the clauses are drafted too widely, they will be unenforceable and useless. If they are drafted too narrowly they will not provide the protection you need. Consider with your lawyer whether the restriction has to prohibit working in close proximity geographically to your business. Do you really need to prohibit employees working for a competitor? For most clients a well drafted clause that prevents an employee from contacting your customers, acting for your customers and, importantly, poaching your staff will provide just the right protection.

Premises

You will need to consider your premises as part of your planning. If you have a lease, when does the lease expire? How reliant is your business on the current premises? If you own the freehold, you want the premises off the balance sheet and into your own name so that you can lease the premises to the company and derive ongoing financial benefit from the rent. You will want to consider with your financial advisers whether you should transfer the premises into your pension fund.

Business Plan

Do not let anyone convince you that a business plan is a waste of time. If your goals are not documented, progress will not be measured, success cannot be achieved and your business will be worthless.

Shareholders Agreement

You must have a Shareholders Agreement in place between you and your co-shareholders. The Agreement needs to define what happens if a shareholder dies, what happens when a shareholder wishes to dispose of his shares, or you wish to dispose of a shareholder and will define the responsibilities which, in turn, introduce the accountability required for a business to succeed.

Accountability takes us back to the power of planning. If you have a vision for your business, which is shared by your shareholders and employees, and is articulated in a clear, strategic plan, the value to you now and in the future will be palpable.



Michael Lister, Managing Partner.



Personalising your Marketing

Highly targeted promotions are the best form of marketing to keep people spending through the recession, according to research from G2 Data Dynamics.

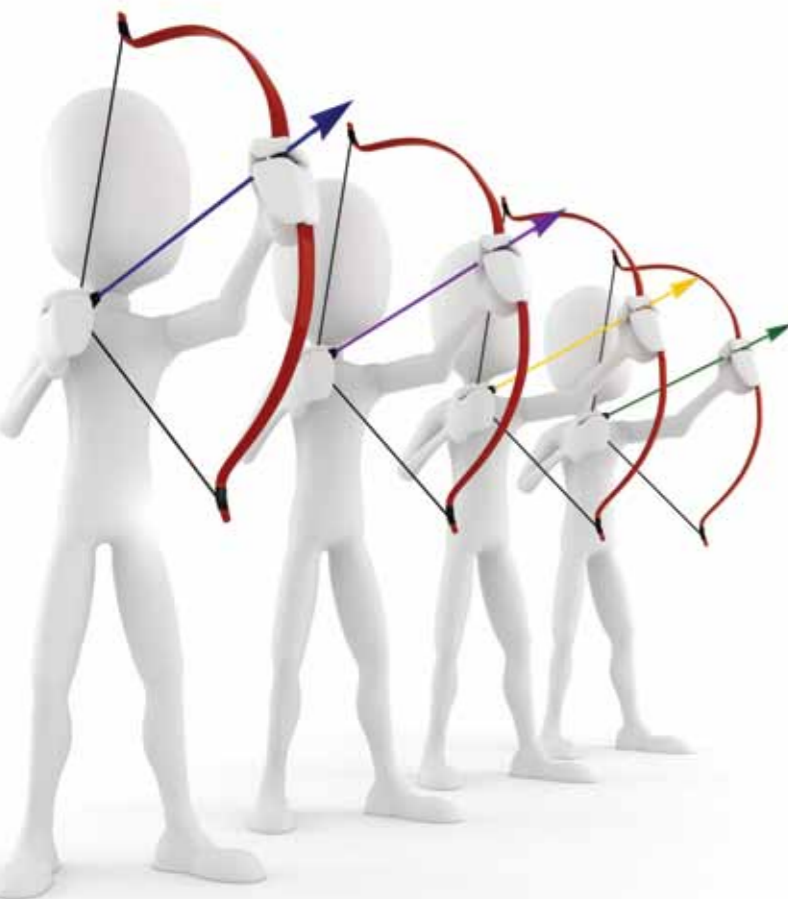
Almost half (46%) of respondents said that aiming promotions specifically at them as individuals would be the most effective way of buying brands during the recession.

The survey was conducted among 30,000 consumers, who were asked to choose from a list of reasons why they buy a product or service.

Almost half said that aiming promotions specifically at them as individuals would be the most effective way of buying brands during the recession. This was second only to price, which was the key factor for more than two-thirds of people.

The full list of responses was as follows:

- Price - 68%
- Promotional offers I receive specifically aimed at me - 46%
- Best-quality product or service compared to all of its competitors - 45%
- Long-standing habit of buying it - 24%
- Availability - 22%
- Customer service - 21%
- I refuse to stop treating myself - 9%
- Prestige of association with brand - 3%



Funding available for Leadership & Management Courses

Our client, The Phoenix Way Group ran their exceptional leadership and management series last year at The Hilton Hotel in Manchester which was attended by over 1500 leaders and managers across the Northwest. The feedback from attendees was unanimous – ‘best courses ever attended’, ‘absolutely brilliant’, ‘I feel totally inspired’.

This year the Phoenix Way Group has put together The Top 10 Exceptional Leadership Master Class Series which starts in March 2011.

One new fund that is about to be released is the LMDF (Leadership and Management Development Fund) which enables every business in the Northwest to apply for up to £1000. The funding makes a contribution of 40% towards the cost of master classes up to £2500 in value. There is £250,000 of funding available for businesses in the Northwest.

For more information visit the website www.phoenixwaygroup.co.uk

Tickled Tangerine

We are tickled tangerine for one of our clients, Tangerine PR, who have had an award winning start to 2011. They were named as the North West PR Agency of the Year in The Drum magazine's annual New Year's Honours list.

The agency came out on top following a hugely successful year, which saw new business wins from Hugo Boss, Homes4u, Cami Confidential and No Fear Extreme Energy drinks.

Tangerine was commended for its proactive approach to new business and the launch of its 'Outsource' initiative, specifically designed to cater for the public sector.

To find out more about Tangerine PR contact info@tangerinepr.com



Changes to the Childcare Vouchers Scheme



Employers can benefit their employees by setting up a childcare scheme. You can currently, for example, offer all employees the opportunity to receive qualifying childcare vouchers with a value of up to £243 a month tax free. This will continue to be the case for existing scheme members.

However, employees who do not join a scheme until after 6 April 2011 may receive a reduced benefit depending on their earnings:

basic rate (20%) taxpayers will be unaffected;

higher rate (40%) taxpayers will be able to receive only £124 worth of tax free vouchers a month; and

additional rate (50%) taxpayers will be able to receive only £97 worth of tax free vouchers a month

The changes will mean that anyone who joins an employer supported childcare scheme from 6 April 2011 will receive the same absolute level of income tax exemption, approximately £49 a month, regardless of their level of earnings. Put another way, the tax saving for higher rate taxpayers who join a scheme by 5 April is potentially around £600 a year greater than for those who join after that date.

To enable your higher paid employees to receive the greater amount of tax relief, you need to set up a scheme, and your employees need to apply to join it, by 5th April 2011.

To find out more contact [Lesley Pangburn](mailto:Lesley.Pangburn@kayjohnsongee.com) – Lesley.pangburn@kayjohnsongee.com

To outsource the establishment of a childcare voucher scheme, contact one of our clients – [Marcus Barrow](mailto:Marcus.Barrow@applechildcarevouchers.co.uk) at Apple Childcare Vouchers on 0845 602 9459, or email marcus@applechildcarevouchers.co.uk

Budget 2011

Don't forget the 2011 Budget will be announced on Wednesday 23rd March. We will send you the key highlights the following day.

Kay Johnson Gee would like to thank Myers Lister Price, The Phoenix Way Group and Apple Childcare Vouchers for their contributions to this edition.

If you would like to place an article please contact Catherine Mackenzie –
Catherine.mackenzie@kayjohnsongee.com

**KAY
JOHNSON
GEE**

Chartered Accountants

Kay Johnson Gee
Griffin Court, 201 Chapel Street,
Manchester M3 5EQ
Telephone: 0161 832 6221
Fax: 0161 834 8479
Email: info@kayjohnsongee.com

www.kayjohnsongee.com

Helping you build a better business