



INSIGHT

Welcome... to our Winter 2008 newsletter



This time 12 months ago, I penned a very bullish and optimistic introduction to our newsletter. In the Summer edition, I wrote of "dark economic clouds surrounding us".

Like many, I did not foresee how quickly and how dramatically the UK economy would change since then. Let's make no bones about it – we are firmly in a recession and all of us need to tough it out until we reach the "other side".

Much will depend on the reactions to the Governments initiatives, and especially as to whether the banks will begin making credit available to SME's again, hopefully early in the New Year.

We have refined our services so that we can offer as much support as possible to our clients. Our Tough Times checklist has become the most accessed page on our website, and even received media coverage. This checklist questions users as to whether they have done as much as they can to make their business as efficient and streamlined as possible. It challenges them to cut out the wastage in their business (and we all have areas where we are wasteful in our businesses!) at a time when we all need to conserve cash and emerge stronger.

We are also consulting with clients more and more on how they can improve profit and manage cash flow.

Elman Wall is a dynamic firm, with enthusiasm, passion and empathy for

its clients and also a little grey haired knowledge and experience, that has lived through previous difficult times. We can help identify and deal with the realities and challenges that you face. No business is entirely recession-proof. Some will be lightly affected and some will be hit hard.

Our directors and staff will do everything that we can to help our clients "batten down the hatches" and emerge stronger in 2009 and 2010.

I hope that you enjoy this newsletter. If you think that you can benefit from our help, please call and we will respond immediately.

JONATHAN WALL

Accountancy Age Awards 2008

We have always believed that we provide our clients with product, service and value that go way beyond what is expected of our profession. But, it is very difficult to validate that claim.

So, we were absolutely delighted to have been shortlisted as a finalist in the Small Firm of the Year category at the Accountancy Age Awards for Excellence 2008. These are the Accountancy profession's most prestigious awards, and are judged by an eminent panel, containing amongst others the Financial Directors of Marks & Spencer, BP and The Football Association.

The Small Firm category is the most competitive as well over 90% of the many thousands of UK accounting firms meet the criteria. In contrast, there are only 6 global firms and about 20 large firms who are eligible for their categories.

This year, for the first time, we entered the Awards and were thrilled to make the top 5. Unfortunately, we didn't win (this time!) but there's always next year.

What makes us really proud is that the efforts of the whole team have been recognized by well respected judges, and we are now able to put a large tick in the "Can we demonstrate our credibility?" box.



Have you grown out of your Accounting software?

Are you concerned with the ability of your current accounting software to scale to your changing business needs?

Do you worry about regulatory compliance and the security of your financial information?

Have you experienced performance or reliability issues as your business has grown and become more complex?

Your current accounting solution may have served your business early on, but your company has grown. Step up to software that can handle your business needs and enhance your productivity now and in the future.

The following factors may necessitate the need to review your accounting software and plan your upgrade:

1	The level of user complaints has risen significantly.
2	Employees ask to add non-authorized software to the system.
3	You can't fulfill requests for information from partners or customers in their preferred format and timeframe.
4	Your current system cannot deal adequately with multi-currency transactions.
5	You have gaps between front-end and back-end systems that are plugged by unsatisfactory customised solutions.
6	The software does not integrate with your front office system
7	You have multiple, non-integrated information sources
8	Your monthly, quarterly or year end reporting is done manually
9	Support costs have risen.
10	You cannot report on segmental information – e.g. departments, cost centres etc.

The financial side of running a business is essential to profitability and success. Keeping on top of your accounting needs cannot be overlooked.

Elman Wall have long partnered with Accstar who are an independent systems and consultancy organisation specialising in market leading accounting and business analytics software customised to meet the growing demands of businesses.

With years of experience, Accstar help Elman Wall clients to select the most appropriate system for their needs and then look after them all the way from initiating a project to installing and customising the software, together with providing staff training and ongoing technical support. We have clients delighted with the work Accstar has done for them. Please call us if you need to review your accounting or business software.



Me and my..... Mortgage



All of us are concerned about the state of the mortgage market. We asked Quintin Bull, of Duke Street Advisers Limited, for his analysis which is set out below. Quintin has helped many of our clients with their commercial and residential funding needs.

“2008 has been an unprecedented year in the UK mortgage market, on both commercial and residential fronts from the huge retraction in lending volumes.

The entire UK funding market has been shaken by two shocks; the dramatic fall in the value of both commercial property (30+%) and also residential property (15-25%), and paralysis in the inter-bank lending market. These twin problems have led to the highly publicised failures and nationalisation of banks (Northern Rock and Bradford and Bingley) and the saving of yet more (HBOS and Alliance and Leicester by Lloyds TSB and Abbey respectively). All this is in addition to the government underwriting the recapitalisation of 3 of the UKs biggest banks; RBS, Lloyds and HBOS!

The question is what does it mean for those that want to borrow money now? The banks, having under-priced risk for the last decade, are now fully aware of it again, and are only offering money to those clients who have good security and provable income streams, whether that is business income for commercial property or the clients earned income for residential mortgages. There has been a growing tendency for the cheapest money to only be offered where the loan to value (LTV) is 60% or less. High risk borrowers are now locked-out of the market however, as there is no appetite for the risk they represent.

The margin of borrowing has also increased dramatically compared to the Bank of England (BOE) base rate, due to the divergence between this and LIBOR. We do expect the market to improve in 2009, but do not expect to see real competition until both ‘3 month LIBOR’ returns to a more usual margin against the Bank of England rate and also the securitisation market reopens. Securitisation is what allowed UK banks to lend in the volume we have become used to this decade.

However whilst the margin is high, the unprecedented falls in base rate have meant that money is still obtainable at about 4%-6% depending on circumstances, which when viewed over a historical timeline, is not unreasonable. Effectively, all this means that savers will pay the bill for banks to rebuild their balance sheets.”



Dispensations - a word of warning ...

Where HMRC are happy that there is no liability to income tax or national insurance for certain expenses paid or benefits given to employees, a notice of dispensation can be issued.

This means that an employer does not need to report any of the expenses and benefits included in the dispensation on forms P9D or P11D. It also means that employees do not need to put these items on their tax returns.

Historically, once a dispensation had been granted it would continue to apply until the qualifying conditions were no longer met. However, where a dispensation had been operated incorrectly, it could be revoked retrospectively. HMRC's practice was to only revoke retrospectively in exceptional circumstances.

HMRC have become concerned that a small number of employers have taken advantage of this and have gone on to abuse the terms of the dispensation, so HMRC have now changed their practice in this area.

HMRC will now consider revoking a dispensation retrospectively where there is any evidence of negligence or misrepresentation by an employer, such as where:

- an application for a dispensation did not provide all the relevant information; or
- there was a change in the way the expenses and benefits were made available to employees, meaning that the conditions were no longer met, and HMRC have not been informed of the change.

Whilst HMRC state that this will not affect the great majority of employers, the second point is potentially very wide ranging.

If you rely on a dispensation, you may wish to ensure that it is up to date and covers all relevant benefits and expenses. If you would like to know more or even apply for a dispensation please contact the Elman Wall Tax Team. In the past 12 months we've helped dozens of clients obtain one, leading to financial and administrative savings.



Elman Wall Travel Team

And some say that tour operators and travel agents lead glamorous lives! There can't be many other industries that have to face so many adversities at one time. Not only has the travel industry had to deal with the UK economic downturn and the lack of consumer confidence to spend large amounts of money, but the industry has also had to face up to a near collapse of Sterling against both Dollars and Euros; fuel supplements imposed by airlines not falling as quickly as fuel prices; the collapse of XL and more global terror attacks.

The big question on most people's lips is "when are the great British public going to have the security and confidence to book their Summer 2009 holidays?", because all indications are that they will book holidays, albeit maybe not as many, or to the same quality and length as in previous years. The optimists are hoping that there will be a big catch up and intensive bookings in January whilst a more balanced view suggests that we may see the industry struggling with cash flow until Easter.

The failure of XL cannot have come at a worse time for the Civil Aviation Authority. A massive failure in the first 6 months of the £1 APC levy cannot have been in its plans and there are rumours that the APC charge will be increased in 2009 to somewhere between £2-£5 depending on which commentator you are listening to. As we go to print, the CAA have announced that they are prosecuting Travel Republic, a leading high profile online travel retailer for non compliance with the ATOL regulations. This is a very visible attempt to clarify by way of case law what is and what is not a package. The CAA are also determined to seek funds from agents who have illegally sold packages without ATOL protection. We have always advocated the need for clear and unequivocal financial protection, and applaud the CAA for launching this action. Whatever the outcome, we expect our travel industry lawyer friends to be rubbing their hands with glee at the anticipated barrage of litigation which will ensue.

Passengers were totally confused as to whether their holidays were financially protected. If the authorities had to produce a flow chart to show the different outcomes of whether a holiday was ATOL protected or not, you know something is not right. Almost the whole industry believes that changes need to be made, but there is no consensus as to what those changes should be. Our understanding is that the Government simply aren't interested in making the primary legislation needed to level the playing field. A survey of 700 adults on behalf of ABTA in September found 58% unaware as to whether their last holiday was financially protected – this must be totally unacceptable.

We are big fans of niche specialist well run operators. In this market place, it is a lot easier to find the 2000 passengers you might need to maintain your profitability than a mass market operator needing hundreds of thousands of bookings at small margins to cover costs.

Our advice for 2009 – just get through it the best you can as you can't change the economy; take the necessary steps (we can help!) to improve your businesses operations and efficiencies and hope that growth returns in 2010. Operators and agents will need to think smart and beat the treble or even quadruple whammy stacked against them. The hope must be for a wet British summer driving millions of holiday makers abroad. Knowing the industry's current lack of luck, we are probably in for a heatwave!

Riding Out The Storm

So, here we are in the 2nd quarter of negative growth in our GDP and we find ourselves tumbling into a "deep" recession. All the media attention and scaremongering among business experts and economists alike is almost enough to force any business owner to think that there is no way out. However, at times like this, positivity and calm, logical thinking are possibly the assets which will keep the balance sheet looking positive too.

Now is the time to start thinking about potential threats to the growth of your business. Despite the current economic climate and the failing of some major businesses, there is not a wholesale collapse in the economy and most of us still go to work everyday and, for our many travel industry clients, we will still keep going on holiday!

While many are sitting on the fence, watching for the next report of a drop in the FTSE or failing of another business, the more proactive and forward thinking businesses are continuing to prosper or at worst remain steady, so they can come out the other side unscathed.

The key, it would seem, is just that – forward thinking. The businesses that we've spoken to in the last six months that feel prepared and poised to embrace the recent downturn are those thinking about the next 2-5 years, as much as the next 2-5 months.

The general consensus is that by having a fully thought out and documented plan to work towards and to help keep you focused, the more real are the chances of your achieving what you want from your business and also of gaining peace of mind that you are "doing the right things".

The process is the easy part; the important thing to realise is the need to act now.

Some ideas and practices that have been the cornerstone to recent business stability are as follows:

- **Processes** – what areas in your business can you trim down or cut-out completely to simplify them or which weaker but necessary areas can be bolstered?
- **Relationships** - more frequent meetings and communications with your best suppliers, customers and associates will help to generate more initiatives to meet each other's needs.
- **Website** – optimise your website. This can be low cost, effective and highly measurable. Think of some new content for your website and communicate this to your customers and potential customers. This will assist your customer retention and help to bring in new business alike.
- **Communication** – air your concerns to colleagues, associates and advisors. You may be able to help others with their concerns too and they can help with yours - brainstorming always helps.

These are just a few positive ideas to consider as we enter the next round of the "financial crisis" – if you're not doing anything to act now then these should point you in the right direction!

The French mathematician Henry Poincare said, "It is far better to foresee even without certainty than not to foresee at all." We think that this is a great concept to bear in mind at times like this and could be the difference between achieving what you want and being the proverbial "rabbit stuck in the headlights".

There are many ways in which we can help you action your plans for your business to continue growing onwards and upwards – or if you just want to discuss any specific issues that you may be facing so please call any of our Directors or Nick Welch our Business Health expert.

In past issues, we used this space to suggest specialist banking products which offered very attractive rates of interest. In the last four months, we have seen deposit interest rates fall by about 50% and we now wouldn't dream of advising you which bank was "safe".
Investment income
- RIP!



Website



Please make sure you regularly check www.elmanwall.co.uk

There are a large amount of useful Resources for you to be able to look at and download. Our popular Client Briefings are only available on the web.

Our latest briefings already on the website are on:

- Tax Aspects of Business Motoring 2008/09
 - Disposals of The Family Business – The new tax position since 6 April 2008
 - Spotting fraud within your organisation.
- Essential reading for some, if not all.

CAVENDISH WARE

Wealth Management & Financial Planning

The defensive investment approach of Cavendish Ware, our sister wealth management arm, has helped many of our clients weather this investment storm better than most. If you're concerned with the performance of your own pensions and investments, need a second opinion or feel that your adviser is not helping you, they'd be delighted to explain why they have been so successful. Call Graham on 020 7493 6363.

Everyone at Elman Wall wishes you a very Happy Christmas and hope that you enjoy a healthy, wealthy and successful New Year.