

“Providing you have the resolve to drive forwards, you can achieve things.” p4

Giles Smith, Managing Director, GForces

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Backing your business

Marketing on a budget

Effective ways to win more business

p7

Your guide to insurance

What you need to know

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Local Matters, National Strength.

Go for growth

Even though the economic climate seems bleak, that doesn't mean there are no opportunities for growing your business. In fact, some companies are well placed to achieve growth by embracing innovative strategies or through acquisition. As explored on pages 5 and 6, Haines Watts can work with your business to ensure the groundwork is in place for growth, establishing where you want to be and, crucially, how to get there.

Our clients are adept at identifying opportunities and markets to exploit – balancing brave decisions and enthusiasm with diligence. We highlight one of our clients, GForces, on page 4 who have grown their business by developing a clever business strategy and finding a niche market.

If you decide to acquire to grow then getting funding to underpin these decisions can be the biggest challenge. Banks are lending, but cautiously. Alternative funding can offer opportunities to grow and develop as highlighted on page 6.

Marketing is another area where high costs can curb innovation. On page 7 we look at different approaches for getting your business message across as cost-effectively as possible.



Andrew Minifie,
Managing Partner

On pages 8 and 9, we take a look at the different types of business insurance available – reviewing this could have a significant impact on your business and your bottom line.

Haines Watts Tax Partner Terri Halstead highlights the controversial 50% tax rate imposed and explains on page 10 why it's here to stay – for the time being at least.

Finally, on pages 11 and 13 we look at how we can maximise your personal wealth by reducing your tax burden and improving your savings income.

Whether your business is a start-up looking for growth or a well-established business, Haines Watts is right by your side with advice that matters to you.



New website for Haines Watts

Haines Watts launched its new website in November. Providing up-to-date information 24 hours a day, seven days a week, the site reflects Haines Watts' dynamic approach to business – making important and useful information accessible to business owners.

The website is packed full of useful resources, including advice on growing your business or looking for funding. There are also new blogs letting you have your say on the latest opinion, written by Haines Watts' expert advisers.

Sam Davies, Haines Watts Marketing Manager, says: "The website will continue to develop and we will be linking it closely together with social media, e-marketing and phone apps to ensure businesses can access up-to-date information whenever and however they want it." Why not let us know what you think? Visit www.hwca.com

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New temp regulations – avoiding penalties

From October last year, new regulations have given agency workers certain employment rights, some applying from day one of the assignment and some after 12 weeks working in the same role.

Employers attempting to circumnavigate the regulations will be subject to a penalty of up to £5,000.

Reliance on temporary workers is a reality for many UK SMEs, and the law now requires that you treat an agency worker as if they have been employed as a new start.

From day one

From the first day, agency workers are entitled to:

- access to shared facilities and amenities or services, such as a canteen, crèche or car parking
- access to information on job vacancies within the company.

After 12 weeks

Twelve weeks later in the same job with the same hirer, an agency worker is entitled to the same basic terms and conditions as if they had been recruited directly. These include having the same working hours and rest periods, basic pay, overtime pay, paid annual leave, bonuses and commission, and voucher schemes such as childcare vouchers. However, remember that

sick pay, and maternity, paternity or adoption pay are not included, alongside redundancy and notice pay, or any advances in pay.

Companies must also carry out a health and safety risk assessment for pregnant temps and inform the temp agency if they are no longer able to carry out the original assignment.

For more information, visit:

www.direct.gov.uk



Profits from patents

A government “patent box” scheme is being designed to improve the rate of return on patents.

The “patent box”, although not due for launch until April 2013, affects patents filed from late 2010. The scheme means that the income from patents will be taxed at a corporation tax rate of 10% rather than the usual SME rate of 21%. It also means companies will be more likely to alter their business models, outsourcing innovation to smaller specialists.

“The patent box scheme is really good news,” says Gary Heywood, Partner at Haines Watts. “Businesses will be more likely to bring intellectual property (IP) work to the UK rather than anywhere else. Not only does this create jobs, but it will create wealth.”

Some remain to be convinced that the scheme will work smoothly. There is a fear that the process will be too complicated and time-consuming for start-ups in terms of assessing the value of their patents and working out how much revenue to put into the 10% “box”. Firms like Haines Watts are likely to be called upon to help structure the patent-related operations.

One outcome might be that enterprises adopt a different operating model, spinning out a patent then licensing it back to themselves, claiming the income as royalties. “Some of the detail is still to be fleshed out,” adds Gary, “but overall the scheme is very encouraging for UK businesses. We’d advise any business involved in IP to plan ahead and structure this work so it is compliant at the outset with the criteria of the scheme.”



Project Merlin lacking magic?

Launched last February, Project Merlin was George Osborne’s promise to revitalise bank lending to small businesses, committing the banks to lending £190bn to businesses in 2011. But has the plan proved to be more trick than treat?

Project Merlin is an agreement between the Government and Barclays, Lloyds Banking Group, the Royal Bank of Scotland and HSBC to revitalise the UK economy. However, statistics suggest that the scheme has not had the effect it set out to achieve. Figures from the Bank of England, for instance, showed that between quarter two and quarter three of 2011, lending to small firms fell from £20.5bn to £18.8bn. In October, figures released from the Office for National Statistics showed that there was a steep fall in the number of businesses which had received loans – 65% compared with 90% in 2007. The same survey reported that 35% of businesses sought finance in 2007, rising to 42% in 2010.

Colin Fletcher, Partner, Haines Watts, believes the current situation is holding the country back. “For SMEs, it’s still difficult to get lending, contradicting what the Government is saying. These firms are an integral part of the UK economic recovery and need to be supported. We would like the banks to work doubly hard to provide vital funds for the entrepreneurs.”

There seems to be a particular funding gap for established small companies seeking to expand, Colin adds. “The banks don’t want to take the risk that they used to and there is a marked increase in the interest rates and arrangement fees being proposed. Even companies with proven track records are struggling. Times have changed, but there is still business to be done.”

Giles Smith
(left) and
Tony Brand



“ Tony has always helped us to understand our business in much greater detail.”

FACT FILE

Issue: **Growth**
Sector: **Web**
Location: **Kent**
www.gforces.co.uk

Driving force

Spotting opportunities for growth and with a natural flair for business, Giles Smith, MD of GForces, has overseen a success story.

At the crux of most successful growth lies a distinct shift. An entrepreneur or inventor recognises that current methods are soon going out of date and they find a cheaper or more effective way of doing things. For example, Hoover vacuum cleaners began with cloth bags, moved on to paper ones and then were overtaken by Dyson with no bags at all.

One company that saw a distinct shift and has exploited it very successfully is GForces, founded and led by Giles Smith. The Maidstone-based operation was set up in 1999 with a £12,000 private loan. Its turnover is now £7.6m and the firm currently employs around 150 people providing web management services to the UK's top

automotive dealer groups. Its sophisticated software helps dealers to turn their websites into key sales and lead generating tools.

The digital armoury involved is no longer just about a static website. To stay ahead of the race, dealers need to know more about their potential customers and how to use that information to secure sales. Social media like Twitter, Facebook and YouTube are offering direct access to customers. It's the successful dealers who know how to use these platforms effectively.

Giles realised that traditional advertising platforms such as newspapers and glossy magazines were being relegated as the Internet surged forward. People started buying cars online. He spotted an opportunity.

Giles' father, Owen, already had established businesses and recommended Haines Watts to his son. Haines Watts Partner Tony Brand advises GForces.

He clearly admires and respects Giles' achievements: "The company has grown rapidly. Giles' particular genius was recognising the specialism, developing the product and in a very personal way working with his clients so as to exploit it profitably. He has also built up a very able team around him at GForces and he makes sure

that they are highly motivated. Above all, he has set objectives for the company and manages the business accordingly."

Giles values the relationship: "Tony has always helped us to understand our business in much greater detail. I operate the financial controls and I use him as a sounding board for our ideas.

"He is an adviser but he's much more than that. He is frank. Whether an idea is daft, sensible or needs more work, he will be honest with me.

"I've learned the complexities of financial accounting from Tony but he has never bombarded me with too much at once. He understands the way we think."

With Tony's help, GForces has developed a clever business strategy that helps make the company financially secure. Rather than depend upon capital funding, Giles explains: "We started spreading contracts over two years when the market was buoyant, effectively sharing the risk using a budgetary rather than a capital model.

"That has meant that when the recession came along we were in a very strong position and much less vulnerable than our competitors. We had an established income stream. The automotive business has very low margins and you can be very vulnerable if one of the top 200 businesses collapses.

"In fact, that did happen but because of our business model, the impact was fairly marginal. If we had been reliant on capital invoicing, that would have been much harder to manage.

"Tony has shown me that if you actually spend time planning and genuinely understanding financials, then you can predict pretty accurately what will happen.

"Providing you have the time, resolve and commitment to drive forwards, you can achieve things. We have that plan and we believe we are going to be a great company." **HW**

Aim high

So, how should business owners go about developing strategies for growth? Surprisingly, the current economic climate may just be the best time.

Smaller companies with strong management teams and a proven track record are uniquely well placed to grow right now. Lots of owner managers and directors might be surprised to hear that but the current business environment means that there are businesses out there to acquire. For companies on the acquisition trail, that's good news and there are bargains to be found.

Preparing a credible, proven growth strategy within the company, before seeking acquisition funding, will strengthen your position substantially. Lenders want to see that you know your own business, your own markets, your competitors and your customer bases and that you have accurately

assessed your growth potential. They also want to see that you've done the due diligence on your proposed acquisition target.

There is help available. Says Haines Watts Partner Tony Brand: "Most people are very good

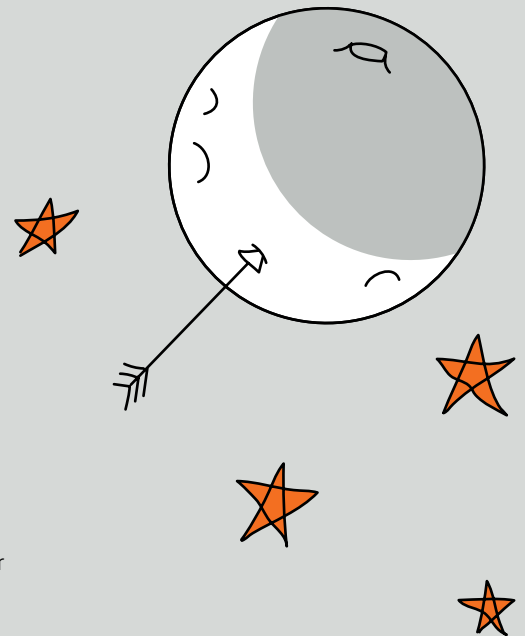
“Growth needs opportunity and it's luck to some extent.”

at their particular trade or profession but when they start out, they don't necessarily have the business grounding to have goals in place. We can help them work out a business plan for regular review which sets achievable goals for growth.

"We sit down and talk to our clients, encourage them to think about what they want to achieve, set out objectives, create the right management structure and so on.

"Growth should be much easier if you have got the right product at the right price that people want to purchase. Growth needs opportunity and luck will play its part to some extent. However, these days, you need the ability to identify a new product or service that will be in demand."

If you're looking to acquire, your business still needs to be an attractive prospect in a challenging environment. Colin Mason, Professor of Entrepreneurship at the Hunter Centre of Strathclyde Business School, says diversification is key: "Avoid one-off transactions if you can. Try and lock your income in on an ongoing basis and



find lots of different ways to earn more money from your customers.

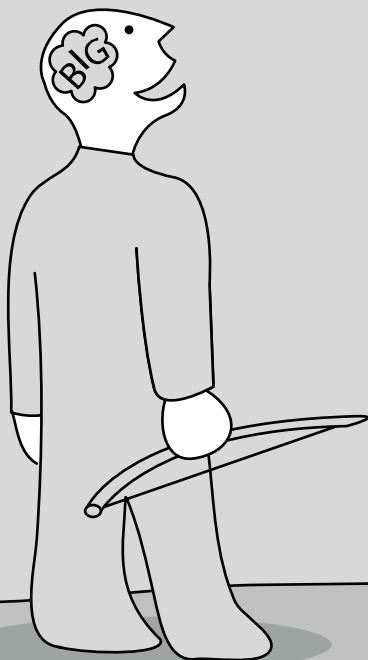
"If you can build trust with your customers and provide that one-stop shop, you are much more than a commodity and you will be a more attractive funding prospect."

Finding funding is the main challenge for most. Banks will lend but very cautiously and with minimal risk attached. Private equity, venture capital and business angels offer opportunities to grow and develop. Bear in mind, though, that if you do a deal here then you will be trading some of your equity against funds. At some point, you are going to have to buy those funders out or sell the business to pay them back.

All of these can be as selective as they please and many applicants are turned down simply because they lack the communications skills to pitch properly.

However high-tech a business is, owners and directors have to be able to communicate what it does and how it works to a non-specialist potential investor.

Tony agrees wholeheartedly that human relationships are the key to deals: "One key piece of advice is to build a relationship of trust with your bank manager and you are a lot more likely to get what you want." **HW**



Explore all avenues

With bank lending for acquisitions currently subdued, where do growing businesses go for funds?

There's more than one way to grow. If your business happens to be rich in assets and capital, you can look for a suitable company to acquire. It gets trickier if you aren't in that enviable position. When you want to grow to increase your profits and you need funding to do it, then the process is challenging.

James Cliffe is Divisional Director of Barclays Business. He says: "My first question is: why do you want to make the

acquisition? Then I want to know how it fits in with your ambitions. How will it work? Why are the current owners selling? Will they continue to be involved?

How are you going to integrate the staff and the businesses?

"We want to know that the business is going to work. The questions we ask are designed to get a better understanding of the operation as a whole."

At Haines Watts, Corporate Finance Partner Sean Moriarty recognises that securing acquisition finance is more difficult, but like James Cliffe, he says funding is there for the right businesses: "Businesses, with a good track record operating in stable markets, are unlikely to be bad debts further down the line. Banks will lend against security and a credible integration plan. However, the quality threshold is high and their pool of capital for these deals is more limited."

There are alternative funders, including the private equity, venture capital and business angel operators such as Angels Den. Its founder, Bill Morrow, says: "If you haven't been to the banks already, don't bother. They aren't lending. We have 436 investors online. There's no shortage of money, but individuals find there is a shortage of high-quality deals. We are enormously selective, rejecting 93% of the, on average, 140 business plans a day that we get.

"The number one question for investors is: tell me something about your business. Thirty-one per cent can't express that in non-jargon terms. Investors want to know what the business does and they want it to resonate with them. If they don't understand what you do, they aren't going to invest."



Sean Moriarty

“Banks will lend against security and a credible integration plan.”

Acquisitions mean new staff. Investors in People (IIP) helps SMEs to integrate the businesses. Alex Jessel, Assistant Director of the IIP's SME-focused growth campaign, says that as an organisation grows its staff, it has to develop and change the way it works: "For SMEs that can be quite traumatic. There are big decisions about the management team and the growing pains of adding maybe 50 or 60 new people.

"We look at leadership and management improvements that support organisational as much as people development. The Cranfield University study of 400 private sector companies compared companies using IIP with those that didn't. It proved that those who use IIP have better financial and people performance."

Getting the shape and structure of a growth-oriented business right is both achievable and essential, says Sean Moriarty: "The key word is security. Banks want to see their risk minimised, whether through property, the debtor book or the willingness of shareholders to provide additional security.

"Undoubtedly, where an acquisition makes sense and enhances the overall business, Haines Watts can help companies secure the right balance and mix of funding on competitive terms." **HW**



Knowing the best marketing approach to win your business more sales can be easy, cheap and often free if you remember some simple rules.

Spread the word



It's easy to be dazzled by choice when it comes to marketing: social media, the web, market research and advertising all offer the potential to win new business.

If you are confused about which approaches will work best, it might pay you to step back and consider some basic rules that should help your business grow for very little outlay, says Sam Davies, National Marketing Manager at Haines Watts.

"Spending vast amounts of money does not always equate to success and new business," says Sam. "Many companies spend on expensive advertising with little return on their investment."

Your current customers are probably your most valuable marketing resource, says Sam, since they already know and trust your business.

She explains: "There's still nothing more powerful than word of mouth. Think of new ways to encourage your current customers to recommend you.

"Ask them to recommend you on appropriate websites or social media sites. A small gift when you have gained business from a customer recommendation or even just a simple thank you can make a huge difference and ensure your customer will go on recommending you."

You may have forgotten another great marketing asset at your disposal: your staff. Get them involved in business development and ask them for their ideas for bringing new business in. Reward those who bring in new sales.

Although new digital tools and techniques



Sam Davies

can win new business, they might not be the most effective vehicle to explore first. "Don't get carried away by tools or techniques just because they are in fashion," says Sam. "If it has worked before, stick to it. If you have tried-and-tested ways to win business then don't neglect them."

But don't ignore the undeniable potential of the web either, she warns. A website is a basic tool every business should have and a range of providers can help develop quite sophisticated ones. "Having a great website can take a small business from a small

marketplace into a global marketplace," Sam explains.

It's easy to be scared of social media, she adds, and it's easy to waste time on ill-thought-out online networking. "Look at the stats on the audiences of services

like Facebook, LinkedIn and Twitter. If their users hit your target market then look at how other businesses are using it and have a go."

A combination of common sense and a realisation that you need to persevere with social media rather than expecting instant results will help you succeed.

"You know your market and your messages better than anyone else. You have conversations offline with clients – take these conversations online to reach a bigger audience," Sam points out.

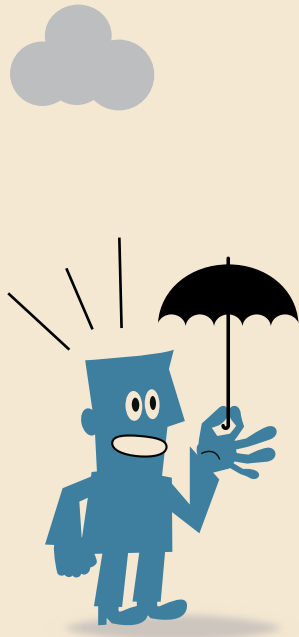
"Don't neglect 'real life' networking either," she says. "Trade associations, or social groups where your types of customers may congregate, can all lead to new business."

“Spending vast amounts of money does not always equate to new business.”

Above all persistence and time are key to successful marketing. "You need to set aside time and keep reviewing your strategy," says Sam. "Plan your activity and review your budget regularly, look at your return on investment and be prepared to tweak along the way. Do all this and you will reap rewards in the long run." **HW**

Your action points

- 1. Remember your existing customers** – it's easier to keep them than gain new ones and they may recommend you.
- 2. Get online** – people are searching for you and your product; help them find you.
- 3. Ask your staff for marketing insights**, they may surprise you.
- 4. Look at social networks** – if your customers are using them, create a conversation.
- 5. Canny publicity can work wonders for your business** – a website such as doyourownpr.com can offer useful tips.



is for insurance

Business insurance – we all need it, but the type and amount of cover you require depend on the specifics of your own business and need to be kept constantly under review.

Insurance is complex and serious; you need to think about everything from employer's liability to public and product liability, and maybe even professional indemnity.

Then there's cover for buildings, stock and contents, vehicles, goods in transit, credit insurance, legal expenses insurance, fidelity insurance, travel insurance and more – the list seems endless.

What's more, you're legally obliged to buy some insurance, while other cover is optional. Similarly, in these straitened times, insurance companies are being resolute when it comes to observing policy conditions and clauses.

Given all of this, it's important to get the right advice. Robin Thomson of Bluefin, which offers help on insurance through HW Expense Control, explains: "Selecting the right insurance broker can make all the difference in the event of a claim, and in making sure you have suitable cover and receive value for the premiums you pay.

"You put a lot of effort into developing your company policies and procedures, including health and safety, security, contingency planning and so on. Insurance companies consider the quality of management when arriving at a premium. Are insurers aware of what you do and does your broker explore these areas with you? If not, they should."

Moving onwards and upwards

It's important to monitor your level of insurance cover as your business develops, as being

“Your broker should be guiding you through the process openly and professionally.”

underinsured can be expensive. You should schedule an annual review to consider how your needs have changed, and weigh up the cost of the premiums against the level of risk you're running.

Robin stresses that your broker must always understand your buying needs. "Your broker should be guiding you through the process openly and professionally," he says, "and providing ongoing advice throughout the policy period, not just at renewal."

Stick to the rules

Failing to comply with policy conditions, precedent and warranties can have serious consequences, and that's another area where your broker should be fully explaining the repercussions, says Stuart Taylor, a Director of Lovat Insurance Brokers.

"You must make a full and frank disclosure of material facts. A material fact is information that a prudent underwriter would wish to know as part of their assessment of or acceptance of a risk. If there is any doubt as to what is considered a material fact, advice should be sought from your insurance broker.



INSURANCE: TOP TIPS

- Enlist a broker you can trust to provide expert advice.
- Make sure you have the cover you need by law.
- Schedule a regular review – every year at least.
- Make sure you know – and meet – your responsibilities under the policy.
- Firms with superb management processes and procedures get the best premiums.

Business disrupted



Even minor damage to your property could seriously disrupt your business leading to loss of income and extra expenses. Business interruption insurance can help you recover.

David Black, a Forensic Accountant with Haines Watts, is also a Chartered Insurance Practitioner and Chartered Loss Adjuster. He specialises in helping companies who have suffered business interruption losses and explains: “The policy covers you for loss of trade for a period of time after you’ve been affected by fire, flood or another event.”

Interruption can be drastic – David has had cases that lasted two years. In another one, a specialist machine worth £250,000 that went on fire took 10 months to replace, because it was an item the manufacturer only built to order.

Recently, he has noticed that insurance companies have adopted a much more rigorous

“**Insurance companies have adopted a much more rigorous approach when investigating a claim.**”

approach when it comes to investigating and processing a claim.

“If investigations are more thorough and take longer to complete, it can have an impact on cash flow, especially if the principal of the business is spending time dealing with the claim.”

That’s where having the expertise of someone like David on hand becomes useful. “I allow the management team of a business to continue with the job they are best at – focusing on the day-to-day running of the company, rather than dealing with the ins and outs of an insurance claim and the skills that requires.”

“A breach is usually discovered when a claim occurs. It can result in a claim being refused, and if there’s a breach of warranty or misrepresentation/ non-disclosure, the policy could be voided.

“Insurance companies are scrutinising claims more so now than in the past and will refuse a payment for a breach of the contract, particularly so for larger claims.”

Understanding your contractual responsibilities is important at renewal – the renewed policy is actually a new contract, and the duty of disclosure is revived. “In fact, any new material facts which occur during the currency of a policy (for example, a change of use in a building) should be disclosed as they occur,” Stuart adds.

It can be bewildering, but with the right help, you can have the protection you need. **HW**

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COVER FOR YOUR KEY PEOPLE

SMEs can often depend heavily on a small number of key people. ‘Key man’ insurance helps you cope if one of those important people is lost to the business temporarily or permanently due to ill health, accident or death.

Key people are the ones who drive the business, those without whom you’d lose sales and profits, including directors, partners and shareholders, as well as integral managers, key technical specialists and so on.

Many large businesses have this cover but SMEs can overlook it or not even know it exists. It’s much like a mortgage protection or life insurance policy, but your business is the beneficiary.

It’s also worth thinking about a shareholder protection policy that provides cash to the remaining directors, shareholders or partners to buy out the shares of the original owner if they’re lost permanently.





No escape yet



The 50% tax rate imposed on higher rate taxpayers is a subject of much debate. Haines Watts Tax Partner Terri Halstead seriously questions its effectiveness but believes it's here to stay – for the time being at least.

“**T**here's been a lot of speculation in the press about how much the 50% tax rate measure will raise, but the truth of the matter is no one really knows. We're in a situation where owner/managers who would have normally taken cash out of the company are just warehousing it.

It's a real period of uncertainty. Just a few months ago there was a view that the Government would get rid of this higher rate as soon as possible.

There was discussion that it would raise close to £2.7bn in 2012/13, £3.1bn in 2011/12 and £1.3bn in 2010/11. But, the Revenue is calculating how much will be gathered – the Government has said that when those figures are available they will review it again in detail.

The fact that there's no finance out there means that people have another incentive to keep money in the company, especially if they feel that the economic downturn is threatening their firm's existence.

I think the real crime is that the people who earn between £100,000 and £115,000 are effectively paying tax rates of about 64%. That seems outrageous.

There is no doubt it's a disincentive and people are trying to manage their tax bills when they start reaching that £100,000 figure. They'll look at options like pension or charitable contributions instead of crossing that threshold.

Another big drawback is the cost of administration. It's not straightforward – it will cost tens of millions for HMRC to update their systems and I've no doubt there will be mistakes. That will lead to extra work for the Revenue and extra costs for taxpayers.

Instead of the punitive approach, I would like to see the removal of this high level of tax and give people incentives.

I believe a lot of people were quite happy to pay when the top rate was 40%. You hear arguments in favour of a flat rate as in some European countries. However, I think that would leave the Government open to the accusation that they favoured higher rate taxpayers and would be happy to see people on lower earnings pay more tax.

“**There is quite a bit of pressure on Mr Osborne in all sorts of ways.**”

Unsurprisingly, the Chancellor did not address this in the Autumn Statement. There is quite a bit of pressure on Mr Osborne in all sorts of ways. For example, when you look at tax rates across Europe you will see that 50% is not that far off some of the other countries. In fact, some of them impose the higher rate at a much lower level.

What's more, when you factor in the general economic uncertainty, the fact that the much-touted cuts are starting to filter through and with the pressure being applied in areas such as public sector pensions and so on, it all points to the Government holding out until nearer the next election before scrapping it.

It has always been seen as a temporary measure – and eventually it will be abolished – but politics means that it's just too soon to take that step.” **HW**



Terri Halstead

Save and save again

There has never been a more important time to make sure your savings are working as hard as possible for you – now and in the future.

For those reliant on their savings, the last three years have been rather gloomy. With the average deposit account paying a meagre 0.3% and inflation at 5%*, keep your money in cash and you are guaranteed a negative real return.

The Bank of England has signalled that low rates could continue for as long as it takes to fend off recession, so there is little hope that the economic misery will come to an end any time soon.

The search for income has been a hot topic since interest rates were first cut to historic lows in 2008. However, back then few of us would have guessed how desperate this search would become.

To understand the scale of the issue, the National Savings bank had to withdraw a recent issue of index-linked certificates after 500,000 people invested in just a few months; or, as research by HSBC reveals, 535,000 fixed-rate accounts taken out two to five years ago, many at rates above 7%, were due to expire in October 2011.

Even when the bank rate does eventually begin to rise, it's unlikely we will see a quick return to pre-2008 interest rate levels and, with an increasing number of us heading into retirement over the next decade, it's quite possible that the frantic search for income will remain for a while.

Is it time to look elsewhere for income?

Against this backdrop, savers are getting used to the fact that they might have to look beyond

deposit accounts for new sources of income. Critically, the opportunities available depend on your attitude to risk. If you need income now but are unwilling to accept any fluctuation in the value of your capital, you might prefer to use part of your savings to cover your costs and wait until interest rates eventually rise – although this is unlikely to be any time soon.

However, if you're looking for higher income yields, you may need to consider alternative assets and be comfortable accepting some fluctuation in the value of your capital. Remember that your investment can fall in value and you could get back less than you invest.

Different funds carry varying levels of risk depending on the geographic region and industry sector in which they invest. Any yield figures provided are not a reliable indicator of future performance and you should make yourself aware of these specific risks prior to investing. Seeking advice from an independent financial adviser will help you balance your appetite for risk with your need for income, and make you aware of the various investment options available. **HW**

“ It's quite possible that the frantic search for income will remain for a while.”

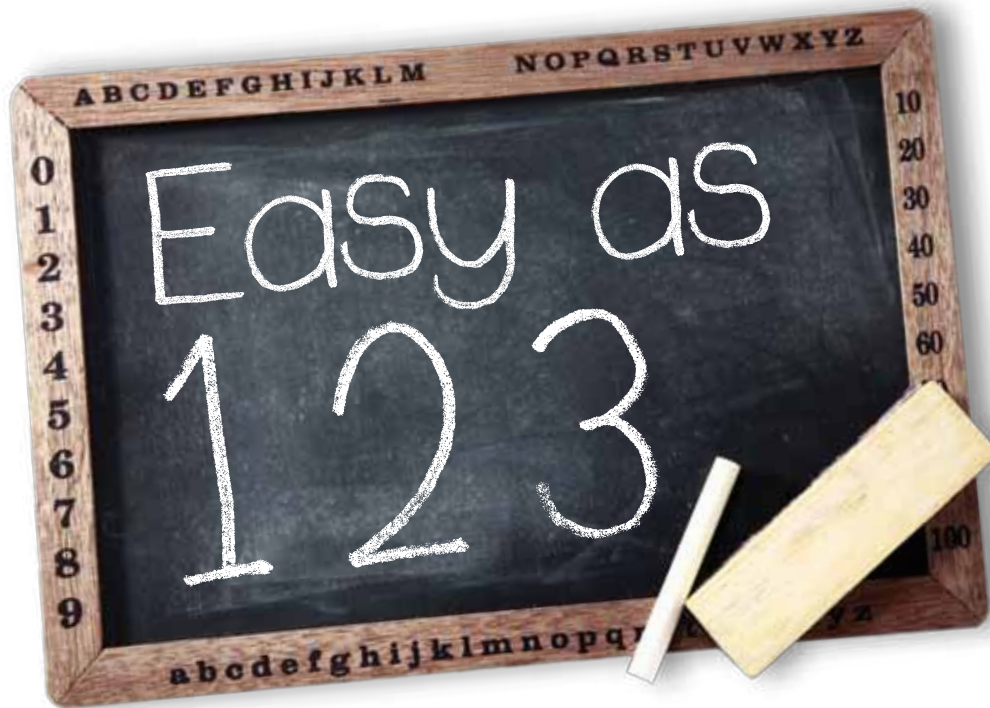
Seek advice

If you are looking for income to supplement your daily expenditure, then it is advisable to have a mix of investments which pay out income. This could reduce the volatility of your income as well as the portfolio, and also provide more regular income payments, as many investments only pay out twice a year.

HW Financial Services has considerable expertise in this area and would be pleased to discuss your options, or any other financial services ideas, and can be contacted through your local HW office.



* Inflation rate as at Nov 2011. Investment performance cannot be guaranteed, but a coherent strategy agreed with an independent financial adviser, with regular reviews, is more likely to be rewarded over the longer term.



In the last issue, we outlined the basic details for workplace pension reform which will see compulsory auto-enrolment introduced. Chris Sheard of HWFS answers three key questions.

This October, auto-enrolment will officially commence. As highlighted in the last issue of *One*, implementation is phased depending on employee numbers; however, the Government has since announced an extended date for smaller employers. Larger employers will continue to be affected first, but those employers with fewer than 50 members of staff will have an extension of a year, with a requirement to join on a staggered basis beginning in May 2015 rather than 2014.

For those companies that do not already have their own employer pension schemes in place, the Government has designed the National Employment Savings Trust (NEST).

The introduction of auto-enrolment raises a number of questions:

1 Will my existing pension arrangement qualify as an alternative to NEST?

Yes, provided the existing arrangement meets certain criteria which revolve around:

- the auto-enrolment process
- meeting the minimum contribution levels and
- having access to a default investment scheme.

Auto-enrolment is the only compulsory aspect of the legislation and this takes the form of a set of rules that employers must follow. There is certainly no obligation to use the NEST scheme, as long as another qualifying arrangement is in place. For further information, visit www.thepensionsregulator.gov.uk/pensions-reform

2 Is NEST a better alternative than my existing scheme?

NEST is likely to be cheaper for members in terms of product charges and, although different pensions can be compared in terms of charges, assessing the quality of the investment options is not as straightforward. Both of these factors combine to produce the overall return on investment which is the single most important thing in determining how much pension an individual will get in their retirement.

“Auto-enrolment is the only compulsory aspect of the legislation.”

Even if NEST is a lower cost for members, it may not present the best solution for employers in terms of its administration and the burden on staff to keep up with all the requirements.

In addition, although NEST is flexible in terms of employees changing employers, once funds are held within NEST, they cannot be transferred anywhere else. Equally it is not possible to transfer other pensions into NEST. However, the Government will review this rule in 2017 along with some of the other finer details of NEST.

3 What should I tell my staff?

While employers will focus on the financial and administrative burden, some thought should go into communication with your staff. As a result of auto-enrolment, employees who are not contributing to a pension already will see their take-home pay reduce. This could obviously cause concerns if staff are not well briefed on the changes.

One of the fundamental principles of auto-enrolment is to improve everyone's financial well-being in retirement – so care has to be taken to help employees understand the benefits of contributing to a work-based pension.

The Department for Work and Pensions has secured a £10m budget from the Government for a media campaign to raise awareness in 2012. Of course, this is a challenging brief – to deliver an advert about pensions that is memorable enough to leave a lasting impression for anyone who does not start auto-enrolment until 2015! **HW**

NEED MORE ADVICE?

HW Financial Services will be addressing further questions in forthcoming issues of *One*.

However, if you would like to discuss auto-enrolment and how it affects your business, please contact your local HW office.

Protection from taxing times



Neil Watson of HW Financial Services explains why it's an appropriate time for the launch of its Tax Shelter Guide.

Maximising opportunities to reduce your UK tax burden has rarely been more important.

High earners, for instance, now have to pay 50% income tax on income over £150,000 and, despite a statement from the Chancellor that this rate will be short-lived, there is still no indication as to when this might end.

Those earning over £100,000 have also seen their personal allowances eroded, with their £7,475 allowance reducing down to zero by the time their annual earnings reach £114,950.

Private investors have also been hit by changes to two of the main tax-efficient investment strategies. Firstly, we have seen the end of the highly popular accelerated tax allowances for investors in Enterprise Zone properties (despite the Government creating a host of new zones across the UK).

Secondly, the amount of tax relief available on pension contributions has been dramatically reduced – only contributions up to £50,000 now qualify for tax relief in this tax year. What's more, the lifetime allowance (LTA) for pension contributions will also reduce from £1.8m to £1.5m in April 2012.

The good news is that the Chancellor has announced a number of tax-saving opportunities, many of which relate to existing incentives.


Significantly, the Budget raised the income tax credit offered by Enterprise Investment Schemes to 30% and also extended the Business Premises Renovation allowance.

“The Chancellor has announced a number of tax-saving opportunities, many of which relate to existing incentives.”

In this ever-changing environment, it is crucial to take a proactive stance in order to maximise the tax efficiency of your portfolio. While not suitable for everybody, these alternative investments may have a place in your overall financial planning, and help protect your wealth from increases in UK taxation.

HW Financial Services Ltd has provided advice for many years on tax-efficient investments, and now, through their partnership with Bestinvest, clients can benefit from a research facility which focuses on Venture Capital Trusts (VCT), along with dedicated research reviewing structures ranging from Enterprise Investment Schemes (EIS) through to more bespoke solutions.

The benefits of using alternative investments such as those mentioned above will vary depending on your personal financial situation. They are often deemed high risk and may not be suitable for all investors. The investments are often not readily realisable and could be unregulated collective investment schemes. **HW**



For a copy of the HW Financial Services Tax Shelter Guide 2011/12, or for further information on investments appropriate to your individual needs, please contact your local HW office.

In the driving seat

Pailton Engineering, a Haines Watts Tamworth client, is a global force in the design and manufacture of steering columns which is bucking the national trend by expanding during the recession.

The company, which has operations in the UK, USA and Germany, grew by a staggering 17% in 2010 and landed its largest ever single purchase order, with military vehicle manufacturer Force Protection Europe, supplying parts for the Foxhound light protected patrol vehicle.

Pailton's success and commitment to manufacturing in the UK have won acclaim: it scooped Company of the Year and Manufacturing Company of the Year at the Birmingham Post Business Awards as well as Manufacturing Company of the Year in the Coventry Telegraph Awards. Managing Director John Nollett was also named

“ It is exciting to see Pailton enjoying so much success.”

in Insider Media's prestigious 42 Under 42 list of young business leaders.

Engineering excellence, flexibility and continual investment in equipment and training have secured a host of blue chip clients such as JCB, Scania, Dennis Eagle and Leyland DAF, and a turnover of £14m and rising.

Since being acquired by Pailton last year, Scottish heavy gear manufacturer Anderson Precision Gearing has landed its biggest ever purchase order, in the railway sector.

Steve Butler, Partner, Haines Watts, says it is exciting to see Pailton enjoying so much success. He adds: "The firm's turnover has risen from just below £12m in 2009 to £14m last year. Growth of 17% is a huge achievement in the current climate."



John Nollett, Managing Director of Pailton Engineering behind the wheel

Everyone's a winner!

Several other Haines Watts clients have also celebrated winning top business awards this year.

Impressive innovation

Technology services provider Probrand has won a Queen's Award for continuous innovation. The award was presented by HRH The Duke of Kent in December. The Birmingham-based company's CIPS-accredited website www.theITIndex.co.uk is believed to be Europe's largest online IT procurement site that daily updates 150,000 ICT products and services from 2,500 manufacturers ranked by best price and stock availability.

The Queen's Award recognises that Probrand has achieved the highest level



Left: Peter Robbins, Managing Director (also above) and Chris Griesbach, Commercial Director, meet the Queen last year.

of excellence in improving its performance and commercial success through continuous innovation over the last five years.

Peter Robbins, Probrand Managing Director, says: "Working with our partner supplier Mercato Solutions, our platform is changing the face of how public and private sector communities drive down the cost of buying ICT. It is very rewarding to see this acknowledged with an internationally recognised mark of success."

Safety first

Engineered Offsite Systems (EOS), a leading light gauge steel specialist, has been crowned the NCSG 2011 best small company of the year.

The company, in Newton Aycliffe, supplies and manufactures precision-built offsite products to clients in various sectors across the world. It was selected to receive the award for outstanding efforts in demonstrating and promoting a positive safety culture. NCSG, a leading health and safety and training provider, carried out unannounced safety audit assessments to determine the winner.



Above: Nigel Storey, Director, and Steve Donelon, Contracts Manager, receiving their awards.

Pride of Herefordshire

Helen May launched her domiciliary care business HM Care in 2009, when she contracted with Hereford Council and the Primary Care Trusts. Starting out with one part-time carer and just two clients, the business has grown to 20 staff, an achievement which has been recognised with this year's Pride of Herefordshire Entrepreneur Award.

The perfect portfolio

HW Financial Services has just launched its innovative Managed Portfolio Service (MPS), offering a new investment solution for clients. Working with Bestinvest, the service offers a range of portfolio strategies to meet different investment objectives, from cautious portfolios through to adventurous capital growth.

As Richard Dawes, Managing Director of HW Financial Services, says: "We are very excited about MPS and the new approach to investments it offers our clients."

Following a review with your HW Financial Services Consultant, including a look at your investments, goals and attitude to risk, those clients for whom MPS is suitable will be recommended a portfolio that meets their individual needs now and into the future.

Bestinvest builds these portfolios with funds that complement each other, normally containing around 20 holdings. These funds will constantly be under review, and changed if Bestinvest's experts believe a manager is underperforming or a better

opportunity can be found elsewhere. Bestinvest will also make changes if the asset allocation for your strategy is altered by their team following an asset allocation review. Quarterly rebalancing ensures your portfolio continues to meet your investment objectives.

With a competitive annual fee for running the portfolio, Richard adds that your account can be checked online at any time: "You can easily access information about the funds in your portfolio, plus a full list of your transactions and data about the performance of your holdings."

For more information about the Managed Portfolio Service, please contact your local HW office.

“**Quarterly rebalancing ensures your portfolio continues to meet your investment objectives.**”



Entrepreneurial spirit is alive

Congratulations to Tara Burn, owner of Combined Counties Fire and Surrey First Aid Training, who has won Haines Watts Young Entrepreneur of the Year 2011.

The finals, held in Reading in November, included a "Dragons' Den" style presentation from each finalist on their business, followed by questions from the judges.

The standard of finalists was extremely high, with runners-up Peter Higgs of PGH Pest Control and Prevention; Duncan Carter from Compass Estate Agents; Enzo Bertolone of Glitterati Hair; and Paul Feakins of Antropy Consulting all impressing the judges with their talent and determination.

Haines Watts Partner Gary Heywood, Chairman of the judges, adds: "The competition was extremely close because each candidate was of such a high calibre. However, Tara took the title for showing true entrepreneurial flair in spotting opportunities and turning them into viable businesses – and for her commitment and energy."

The finalists will benefit from a year of free mentoring with Haines Watts Partners, to support them with advice and ideas as they progress their businesses.

All runners-up received cheques for £250 and Tara collected an additional £500 in prize money. For more information about the competition, visit www.hwye.co.uk



The Haines Watts young entrepreneurs all showed true flair

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