Business Update>

January 2009

Now that most have recovered from the New Year festivities it seems opportune to try and focus on the realities of economic life. I am sure that all are familiar with the daily listing of those companies that are now facing administration or liquidation due - it is reported – to the effect of the recession. It would not be harsh to suggest that some of these examples were accidents waiting to happen – a history of poor management, over borrowing and waste. Likewise, it is clear that not even the most brilliant management can save all from the effects of slowdown. However I firmly believe that the issues of the day can be countered, in part by effective management and control and you will now receive from me monthly newsletters which I hope, will help you focus on what you can do to deal with the current economic climate.

Dealing with recession

In June 2008 one of the leading banks put out a newsletter with a section prepared by a partner of a top 5 firm of accountants and business advisors – the gentleman stated that "a full blown UK recession is by no means certain" – well I am not sure where these top advisors have been – but the signals were clear in the summer (if not admitted) and are now "certain" and so as I wrote in my October newsletter – business had better prepare for the worst. Copies of that newsletter can be obtained by calling the office or downloading it from the website – but by way of summary the salient points are:

- Cash control
- Cost control
- Planning and strategy

Owners who would like to take the opportunity of the New Year to reassess their situations should call to make an appointment.

Unfortunately many facing the prospects of difficult trading take the ostrich approach – this does not work – it may cost to take competent advice – but it should be seen in the same way as consulting the doctor if you are feeling ill.

Protection of assets

With the emphasis very much at looking at the potential impact of the recession, owners should ensure that they are taking steps to protect their assets – property, cash reserves, patents, intellectual property, web sites etc - from the possible claims of creditors.

This can be accomplished by transferring these assets (or if acquiring new assets) placing them into either a holding investment company or LLP.

There are tax traps to be avoided on both the transfer in terms of potential VAT, Stamp Duty or Corporation Tax costs and in the longer term by the reduction of the available lower rate of corporation tax – so careful planning and advice is required.

Likewise – where there are intra group borrowings – protection can be established with the use of debentures and / or the taking of separate security.

Another area that has come to our notice is where businesses are holding funds on behalf of third parties:

a) As stake holders, agents etc – from the business point of view these should be put into Client Trust accounts and confirmation obtained from the relevant bank that the account is not part of that businesses' assets and
b) From the third parties position – where funds are being entrusted to stakeholders or agents – then they should establish that their funds are held outside of the stakeholders business in such Client Accounts.

I am happy to advise in these matters – drawing on my wide experience.

Ben Warren

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