

## Lessons to be learned from headline collapses

### BUSINESS MATTERS

**Lisa Thomas**, insolvency practitioner at Plymouth-based Neville & Co, identifies common themes to have emerged from high-profile administrations and explores the lessons to be learned, to keep on track



It comes as a bit of a shock sometimes when a well-known business goes into administration or liquidation. In this current recession the likes of HMV, JJB Sports and Comet (to name just some) have all entered administration. We often presume that bigger means better but that is not always the case and every business, small or large, can fail.

So what's the cause?

We decided to look at the cases we have helped in the last twelve months and try to spot any common themes. Here are some of our conclusions and lessons to learn:

#### 1. What's your financial position?

Often I meet with directors who do not know what the true financial state of their company is. By the time year-end accounts are produced they are too late and are just history. Knowing your figures and regularly monitoring the position is important. Regular accounts are a good guide – if you cannot do this every week or month consider doing them quarterly? Ask your accountants for help if you cannot do this yourself. If that is too expensive for your size of business at the very least work out what sales you need to invoice a month just to break even and also what sales you need to achieve to make a target monthly profit. If I ever meet you and ask how much you need to invoice each month to break even make sure you know the answer!

#### 2. Don't put all your eggs in one basket

Some businesses rely too heavily on one main customer. Typically that customer is more than 30% of their turnover. For whatever reason if that customer decides to buy elsewhere or use their buying power to push down your margins that can have a massive impact on your business. The worst scenario is that customer 'goes bust' and not only do you lose the future sales but are left with a large unpaid debt. We often see a ripple

effect from one major company failing and taking others down with it.

#### 3. Do not get left behind

The three retailers I mentioned above – HMV, JJB and Comet – failed to move with the times and suffered because of the very fast rise of the internet. Other companies seem to adapt to change. Do not get left behind. These large businesses spend a lot of money on market research and it can take a long time to get back any results. The fact is that a very quick and easy way to do that is just look at your competitors' websites. What services are they offering? What hours do they open? How easy is it to buy from them? Do they look approachable, reputable and professional? It takes courage to do this but if you have a competitor who seems to win work away from you then the changes you need to make should be quite easy to find. Learn from them.

#### 4. If you build it will they come?

We often see start-up or expanding businesses spend too much on capital items that do not actually bring in any sales. For example it is a great risk to spend a lot of money improving leasehold premises (you do not own) because if you move out the landlord nearly always has the right to just keep those fittings. In other cases too much is spent on smart offices or cars that are out of proportion to the business size.

If you can't see a way out regardless of trying to make changes feel free to get in touch with me to see if I can help you. My initial meeting will be free and it is always best to take advice early – the sooner we meet the more options you will have.

**NEVILLE & CO**

BUSINESS RESCUE & RECOVERY

Call us on 01752 786800 to set up a free initial meeting to discuss your options

## Countdown to business event

Five hundred delegates are anticipated to attend the St Mellion Business Show at the South East Cornwall golfing resort next Wednesday.

Now in its seventh year, the event will feature 50 Westcountry companies' showcase stands with exhibitors including Francis Clark, Fuel Communications, Plymouth Chamber of Commerce and Mitie Built Environment, Zenith Hygiene and SITA UK.

Event sponsor Plymouth Business Network will be hosting an 8am network breakfast before the show's 9.30am opening by Carleen

Keleman – chairman of the Devon and Cornwall branch of the Institute of Directors.

Keynote speakers will be Hayley Dann of Looe-based primate conservation charity Wild Futures, and polar explorer Dr Antony Jinman.

St Mellion sales and marketing manager Lisa Turner said: "We are passionate about the area in which we work and in keeping business local and networking is a key part. You can't build a relationship unless you have a conversation and rapport."

See [www.stmellionbusinessshow.co.uk](http://www.stmellionbusinessshow.co.uk)



The Arundell Arms Hotel's Devon Hampers business is set to launch today. Pictured are managing director Adam Fox-Edwards, with logistics manager Lesley Muir (left) and general manager Heather Measey

PICTURE: EMILY WHITFIELD-WICKS

## Gourmet hampers from the county direct to your door

An award-winning hotel is launching a hamper service to deliver a cornucopia of Devon treats direct to the door.

The Arundell Arms Hotel in Lifton has converted a redundant building into a packing facility for its new Devon Hampers e-tail business, which officially goes live today.

The family-run hotel has set up an online shop to sell and deliver Devon food and drink country-wide, with an initial listing of 114 items, sourced from around 30 local produ-

cers. Suppliers include micro-enterprises Hogsbottom Jams and Pyeman Pates, while Plymouth Gin and pasties from Chunk of Devon are among the higher-profile Devon brands to feature. Fresh cream teas will also be dispatched by overnight delivery.

Describing its investment in the new business, as 'substantial' the hotel's managing director Adam Fox-Edwards said: "It's a natural extension of what we already do. All of our food is local already and the

hampers are sourced either from existing suppliers or the very best in the county."

The business has taken on one dedicated staff member on payroll, while it's aimed for out-of-season employment for many of its 50 hotel staff.

The launch of the business will be officially marked by a by-invitation taster session at the family-run hotel today.

Plymouth Science Park based IC03 is behind the development of the e-tail platform, with the virtual shop-

fitter taking a commission on sales.

IC03 also helped the hotel to develop its first e-tail venture, Arundell Gifts, three years ago.

"It began from the hotel's display cabinet," Mr Fox-Edwards said, "and has grown by 50% year on year. It will turn over around £150,000 next year."

Looking ahead, Mr Fox-Edwards said: "We've a proven e-commerce model. Not everyone can beat a path to our door, but we can deliver to them."

## Holiday-let owner fears over taxman's inheritance claim

BY CATHERINE BARNES AND LYN BARTON

The Westcountry tourism economy could be hit by a legal ruling on holiday lets which will see the taxman claiming a fortune in inheritance tax.

The Inland Revenue has been accused of creating a "soft target" out of families that have worked hard to build a business from their holiday cottage.

Last week, the family of the late Nicolette Pawson have lost their legal bid for the share in a furnished holiday cottage she left them, to be recognised as a business for inheritance purposes.

In the case of HMRC v Pawson, the taxman argued the house should be liable to inheritance tax as it was an investment, rather than a commercial venture such as a hotel.

While a tax tribunal initially ruled in favour of the family and inheritance tax relief, the decision was overturned in February.

Reviewing the case, Lord Justice Briggs last week refused leave for it to be taken on to the Court of Appeal.

While it was determined that Mrs Pawson had not been very involved with the holiday side of the cottage, the legal ruling has led to uncertainty over how hands-on Westcountry accommodation providers will be bracketed by the taxman.

James Bailey, tax partner at Truro-based accountants Robinson Reed Layton, said: "The problem is that HM Revenue & Customs are now likely use this as a precedent to deny business property relief on any furnished holiday accommodation."

"There are quite a lot of farmers that have converted barns that they let out to try and diversify their income.

"I also know people who have sold up their business and invested in a holiday let for their retirement.

"These are all people that HMRC will now be taking an interest in.

"Anyone who does do a holiday let will tell you that they take a lot of looking after. They are not landlords who own a block of flats and just sit back and enjoy the income."

He added: "They are a soft target. These are generally individuals who, unlike hotels, don't have an industry group to represent them."

It's feared the case may

**'They do not just sit back and enjoy the income'**

James Bailey

impact the regional tourism economy, with families forced to sell up letting properties to pay the tax or deciding there is little point in investing to maintain high standards for the taxman's ultimate gain.

John Endacott, a tax partner with accountants Francis Clark has also been monitoring the Pawson case closely

throughout. He said: "There's continuing uncertainty over which properties will get inheritance tax relief.

"In places like Devon and Cornwall, business tend to get passed on and are long-standing in families. We've seen some holiday cottages where they've been let since the 1950s.

"I'm the executor of an estate in Newquay with half a dozen lettings that have been owned and run by a local family for more than 30 years.

"The [inheritance] tax bill is £400,000 and I'm not sure they will get favourable status. If they don't, some of the properties will have to be sold and the viability of the ongoing business will be diminished."

Mr Endacott said that it will take a stronger case than Pawson to ultimately define inheritance rules for holiday cottage businesses.

He added: "What we need is greater certainty and we'll see what happens when that case comes along."