

GRANGE

NEWS

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Small Firms Looking to Bypass Banks to Secure Loans

Many small to medium businesses (SMEs) are looking beyond the banks to secure funding when they are turned down by loans according to report this month.

Project Merlin, set up by the banks to make banks lend more money to SMEs is currently on to reach £76 billion of lending by March 2012.

Despite this many experts still believe that banks are not lending enough and stifling who are trying to grow themselves, and in turn the UK economy.

There are a number of alternative ways of raising money other than banks, but you need to be sure that you select the right one for your specific situation.

If you want to increase your cash flow to get money quicker then invoice factoring could be an option that is offered by many banks and factoring firms.

A business will quickly be paid a high percentage of the money owed to them on an invoice (eg80%) by the factoring organisation and then receive the balance once the invoice is settled in full.

It is a good idea to shop around for the best fees when looking to use a factoring facility.

Peer to peer lending is away of borrowing small amounts of money from small investors who then get a high return on their investment.

This was used by an engineering firm in Exeter recently who needed money for a project in Colorado, but hit a wall with the banks.

They received small amounts of investment from lenders who invested from £40 up to £1200. They will receive around a 9% yield on their investment when the project is completed and the money comes in.

This has allowed the company to move their business forward and has provided a better return than the banks for the investors.

A list of alternative borrowing methods is in the panel on the right, but if you require advice as to your best option give Grange a call on 01474 325888.

Alternatives to Bank Borrowing

Retail Bonds: An investor is issued with bonds in return for money. Attractive for investor as it can provide a better return than banks.

Invoice Factoring: Please see main article.

Personal Asset Lending: The lender gives money which is secured against personal assets of the borrower (ie art, jewellery).

Peer to Peer: Investors lend a small amount of money in but get a high return on their investment.

Private Equity: Professional companies or individuals who invest in people or businesses they think viable. Often drive a hard bargain.

Angel Investors: Similar to Private Equity firms but more entrepreneurial and not as interested in making a fast buck. Can often see the long term direction of a business - something akin to the investors on Dragon's Den.

Whatever avenue you are looking at you should always seek expert advice before taking the plunge and taking the alternative to borrowing from banks and be sure of who you are dealing with.

Grange Accounts

10 Stone Street, Gravesend, Kent, DA11 0NH.

Telephone: 01474 325888

Fax: 01474 320605

E mail: info@grangeaccounts.com

SMEs Sitting On Cash Because Economic Uncertainty

Nearly half of small and medium size businesses are sitting on cash sums rather than investing it to grow their businesses according to recent research.

Around 500 SMEs were questioned over their financial planning with 47 per cent saying that they were holding on to cash not needed in the day-to-day running of their business.

The reason given for holding on to money rather than investing was fear over the current economic climate.



The cash is being used as a buffer in case the business hits hard times with the average amount of dormant cash being £190000.

Almost 45 per cent felt that the current situation is too unstable to invest in growth with 37 per cent saying that they would invest once they could see the shoots of growth - a chicken and egg situation for them and the country.

Over a quarter of those surveyed said that they had no plans to invest in growth for at least the next twelve months, and 31 per cent said that they had no intention at all of growing their business further.

It all adds up to a worrying time for the Government whose hopes of economic growth are largely relying on such businesses investing in the future.

While they, and the lenders say that the opportunities are available persuading businesses that it is worth risking their money, or finding the terms under which they will do so remains a major challenge to both.

The banks maintain that the money is their to be borrowed, but say they are having difficulty in attracting people to take and invest it, while many SMEs claim that the banks won't lend for their purpose or that the terms of borrowing are too strenuous to be attractive.

Useful phone numbers

Grange Accounts	01474 325888
HMRC Business Support	0845 302 1435
Nat Insurance Number Tracing	0845 915 8948
Dept of Work and Pensions Contact Centre	0845 600 0643
Companies House	0870 333 6363

HMRC Issues Scam Warning

Her Majesty's Revenues and Customs (HMRC) has once again warned people to be on their guard for internet phishing scams.

Millions of legitimate letters will be going out in the coming months, but scammers will be using this time to target those who think that they may be eligible for a rebate.

E-mails purporting to be from HMRC will tell individuals that they are entitled to a rebate and invite them to submit bank details.

If you are entitled to a rebate HMRC will only ever contact you by post, so if you receive such an e-mail please send it to phishing@hmrc.gsi.gov.uk.

At-A-Glance Tax Guide from April 2011

Income Tax Rates

Personal Allowance	£7475
Personal Allowance Age 65-74	£9490
Personal Allowance 75+	£9640
Married Couples Allowance 75+	£6965
20% Earnings up to £35000	
40%	£35001 - 150000
50%	£150000+

Inheritance Tax

Nil Rate	up to £325000
40%	over £325000
20%	Chargeable Lifetime Transfer

Corporation Tax

Small Companies Rate	
£0-300000	20%
Upper marginal rate	
£300000-1500000	29.75%
Standard Rate	
£1500000+	26%

Mileage Allowances

All Cars and Vans	
Up to 10000 miles	40p
Over 10000 miles	25p
Bicycles	
	20p
Motorcycles	
	25p

BACS payments to Grange Accounts

Grange Accounts offer our clients the convenience of paying by BACS.

You can make your payments online, saving you time and making payment quick, simple and efficient.

If you would like details of how to pay by BACS please give us a call 01474 325888.

Thank you for taking the time to read the November Edition of *Grange News*.

Our main story this month deals with how many borrowers are looking beyond their banks to get investment.

This has undoubtedly worked well for many businesses, but it is best to keep your options open.

If you are looking to invest in your business or looking to fund a new project it is always worth going along to see your bank for a chat

about borrowing money.

The alternatives are there also, but you need to be comfortable and sure of what the terms of lending are.

January is self-assessment time so you need to start preparing to submit your return as the penalties are more stringent than ever this year.

If we can help please give us a call on 01474 325888.

Tina Barnett
Accountant