

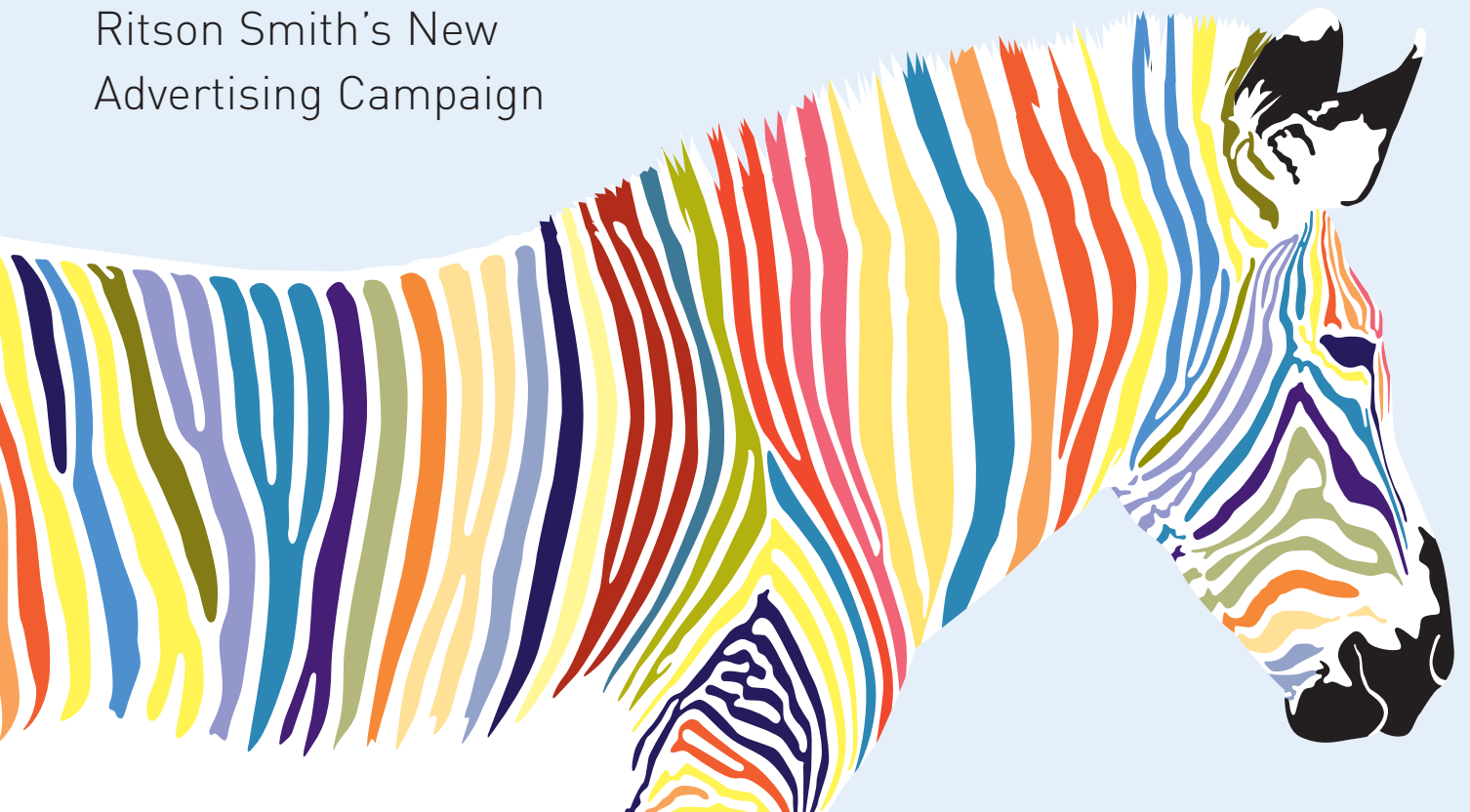
SPECTRUM ISSUE: 4 | MAY 2007

# spectrum

THE NEWSLETTER FROM RITSON SMITH

It's a Jungle Out There;

Ritson Smith's New  
Advertising Campaign



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## Introduction



I am delighted to write a foreword to our fourth edition of SPECTRUM proving that we have the will and perseverance to try and communicate with clients and intermediaries no matter how busy the daily demands are! We have continued to receive positive feedback on our newsletter and other profile raising initiatives and are thus encouraged to keep on standing out from the crowd.

Our current theme in the promotion of the Ritson Smith brand reflects our ability to differentiate ourselves; represented by the use of our eye catching zebra and, perhaps more in character for many at Ritson Smith, a multi-coloured golf umbrella – we are standing out from the mass of grey.

It is with great pleasure that we profile the return of Chalmers Bakery as a client. Having been enticed out of the fold and found the service somewhat lacking elsewhere the Chalmers family are very welcome returnee clients. We act for many owner-managed businesses generally but also specifically in the food and catering sector which is why we have decided to sponsor the popular Taste of Grampian exhibition at the Thainstone Centre in June. We hope to see many visitors to our stand there.

As always there is a great deal going on here but we like to ensure we have time for more instructions from existing or new sources. I trust we do let clients know all that we can do for them – any feedback on this or any other matters will be much appreciated.

**Neil Harper**  
Managing Partner



## The Companies Act 2006 – the longest ever Act to have been passed by Parliament

By Jean Main, Partner

The long-awaited Companies Bill received Royal Assent in November 2006.

The Companies Act 2006 will affect every aspect of corporate practice. For private companies, the Act introduces de-regulatory reforms including greater use of electronic communication.

However public or quoted companies will see additions to their regulatory burden as the Act seeks to improve transparency and accountability.

Changes will affect communications with shareholders, board and shareholder meetings, annual reports and accounts, and memorandum and articles of association.

Whilst the majority of changes are due to come into force in October 2008, there are a number, including electronic filing and disclosure of major shareholdings, which will be implemented during 2007 to fall in line with EU directives.

## Transaction Support - Uncovering hidden value or risk

By Niall Farquharson, Partner



A dedicated Transaction Support team has been established by Ritson Smith to facilitate the growing number of corporate deals taking place in Aberdeen's buoyant marketplace. The group of partners and associates will carry out transaction support services including pre-sale analysis and negotiation support to enhance Ritson Smith's respected due diligence service.

The Transaction Support team consists of highly experienced tax practitioners, experts in due diligence and senior executives with solid commercial back-

grounds as well as two new associates, Reny Paul and Stefano Vincini, with experience of working on corporate transactions both in the UK and across the world.

Due diligence is vital in any corporate purchase, but in a fast-moving, multi-national environment it's not just about checking the paperwork or looking over the books. Expert advice in corporate transactions can both enhance shareholder value and uncover any hidden value or risk – even before an offer is made.

Working alongside a management team and/or lenders, the transaction support team will ensure that all financial information is available to support the price negotiation, and facilitate an efficient deal structure taking into consideration taxation, accounting and relevant commercial issues.

Using industry and client expertise the team will conduct detailed investigations and offer essential advice throughout the entire transaction process. A truly independent analysis of the business, its potential and any risks, will give vendors or buyers greater control over the sales process and will lead to a smoother deal which is more effective for all parties.

"...highly experienced tax practitioners, experts in due diligence and senior executives with solid commercial backgrounds..."

## The pleasures and pains of selling your business...



Richard Marsh, Graham Alexander and Peter Moyes

Building your own successful business is one of the most satisfying things that you can do in life, albeit fraught with challenge and stressful times. Popularity of TV shows like `Dragon's Den' and `Risking It All' illustrate the attraction of being your own boss. But the day will come whether it is through an offer you can't refuse, retirement or simply the desire to do something else, when it will be time to let go of the reins.

For many business owners selling up is an opportunity to reap the rewards of many years of hard work. For others, it is a chance to maximise returns when market conditions are favourable. This is demonstrated by two significant, but very different, £ multi-million deals involving Aberdeen companies that took place last year: the sale of Zertech to Baker Hughes and the sale of Trittech to Halma UK. Graham Alexander, head of Corporate Finance at Ritson Smith was lead advisor to both selling companies:

"Trittech is a business that Richard Marsh had built up over 15 years before selling up to a major British plc that had been interested in the company for a number of years. Zertech, on the other hand, was Peter Moyes' first business and we actively marketed to a number of targeted potential buyers because the economic conditions were right to sell."

And according to Graham, it is never too early to start planning your exit strategy:

"However passionate you are about what you do, you do need to focus on creating a business that has value if you are going to make a profitable exit from it at some stage. To maximise value, owners should focus on building a good infrastructure including robust systems and processes, a solid client base and a loyal workforce".

Peter Moyes agrees: "When I started Zertech, it was always my strategy to sell but I had thought that would probably be after ten years not five. With any new business that I start, I will be thinking early on about the practicalities of selling because the level of information needed for the due diligence process is so detailed."

Both Peter Moyes and Richard Marsh advise that the buyer's due diligence process requires a business owner to be prepared to bare their soul:

"We were babes in the wood when it came to being acquired. You find yourself heavily outnumbered by corporate lawyers and accountants that parachute in from nowhere and start what is really an invasive process," explained Richard.

The experience of selling their businesses has left both entrepreneurs with clear views on how they would prepare any new venture for sale and has clearly demonstrated the value of expert guidance throughout the sometimes arduous process.

But as Graham Alexander says: "These guys are handing over their `baby' – something they have nurtured and grown for years. Part of that process involves the potential vendor asking what are sometimes difficult and often intrusive questions. Business owners often feel that their management is in question but the bottom line is that, like in any deal, the vendor is trying to maximise value.

"That's why the best advice is to ensure that business owners are constantly thinking about the potential value of their business and a potential sale by ensuring that their internal systems and procedures are operating efficiently. A business can never be too ready to sell."

"...the best advice to any business owner is to ensure that they are constantly thinking about the potential value of their business..."

## It's a jungle out there!

 An advertisement for Ritson Smith. On the left is a stylized zebra head and neck, composed of vertical stripes in various colors (red, orange, yellow, green, blue, purple). To the right of the zebra is text:
 

**For corporate finance support that stands out from the herd.**

Corporate finance can be, frankly, a bit of a jungle.

So when you're out to bag the deal that's right for you, it pays to hunt with a local team that knows every nook of the territory.

Ritson Smith's experienced corporate finance team draws on its extensive market knowledge and contact network to offer hands-on support during every stage of your strategic merger, acquisition or disposal.

**Because business isn't always a case of black and white.**

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**ritsonsmith**  
CHARTERS & ACCOUNTANTS

Ritson Smith's new advertising campaign is alive in technicolour. The distinctive Zebra design is the first of a bank of ideas which will spice up the advertising schedule, says Mike Hampton, of Hampton Associates:

"The brand identity aims to distinguish the Ritson Smith team by reflecting their core values. The colour theme takes Ritson Smith beyond a traditional image of grey and boring accountants – but presents a colourful team offering a range of services with partner involvement.

"This new campaign is an integral part of the vibrant branding used across all marketing activity. The psychedelic creature is a dynamic and striking image which will certainly stand out from the crowd."

## Client Profile: Chalmers Bakery – Looking after the dough



For over fifty years, Chalmers Bakery has baked bread, iced buns and sugared doughnuts for the people of Aberdeen. In order to support his siblings and widowed mother, 14-year-old Ronald Chalmers took an apprenticeship and learnt a trade which he still practises today as a sprightly octogenarian.

Established in 1956, Chalmers Bakery began with one shop and three staff and the company slowly grew with new shops and four expansions to the production base at Bucksburn. Today, Ronald and Sheila are still very actively involved in the business, which now employs over 200 people. Son John Chalmers (pictured above) became Managing Director in 1986: "We have seen many changes over the last five decades, but my family has always been keen to move with the times.

We have invested heavily in replacing equipment with state of the art facilities and refitted all of our shops. We are dedicated to preserving

our high quality image, and as such we work hard to stay ahead of the stringent environmental health regulations which have affected so many within our industry."

John says it is not just regulations and trading conditions which have changed: "Our product range varies enormously, according to the season and changes in taste – although the old favourites like pineapple tarts and empire biscuits are still extremely popular." There has also been a growing demand for the company's world famous Balmoral Bread.

The family has a long and trusted connection with the Royal Family at Balmoral: "We are proud of our Royal Warrants – they are issued personally by the members of the Royal Family. We have supplied regular orders for many years and still today provide a variety of products to the Queen and Prince Charles when they visit Scotland."

Chalmers Bakery has been working with Ritson Smith for over 25 years, John says: "We did defect for a few years, but we soon decided to come back to Ritson Smith due to our lengthy relationship with them."

John is very positive about the future for the bakery: "We know we have an excellent product – our name is well known and is synonymous with good quality."

Ronald Chalmers puts the success of the business down to hard work, his son says: "It can take years to be a truly good baker. The hours are long and we work 24 hours a day at Bucksburn. Bread, rolls and butteries need to be baked and ready to go before most people switch off their alarms in the morning."

So, with an increasingly sophisticated clientele and a wider choice available to the consumer, what is the city's favourite bake? "Butteries – without a doubt", John says. "Aberdeen Rowies are still a firm favourite – and not just in Aberdeen! We have a thriving business filling regular orders from homesick Aberdonians right across the UK."



"Having been involved with the Chalmers family from the outset, I am delighted to welcome them back, and I am especially pleased that a major factor in the decision to return was the high standard of service received in the past."

Alistair McRae  
Ritson Smith Senior Manager

## Demolition of cash in hand payments

By David Dowell, Senior Manager, Corporate Tax



A new Construction Industry Scheme (CIS) has been introduced affecting 200,000 contractors. According to HM Revenue & Customs (HMRC) the new scheme has been designed in collaboration with the industry to alleviate some of the burdens of the current regime.

Since 1972, a special tax deduction scheme for the construction industry has existed to counter both "cash in hand" payments and a poor record of complying with tax obligations. The current scheme relies heavily on paper vouchers and certificates to evidence payments.

From 6 April 2007, certificates, vouchers and CIS cards will be abolished.

The vast majority of subcontractors registered under the existing rules will have been transferred over to the new system automatically, although new or temporary subcontractors will be required to register with HMRC.

On engaging a new subcontractor, the contractor must:

- check the subcontractor with HMRC
- confirm with HMRC that the contract is one of self-employment

- ascertain whether the subcontractor should be paid net or gross

In cases where HMRC cannot verify the subcontractor, a higher rate tax deduction will be applied in order to force the subcontractor to contact HMRC.

There will no longer be individual vouchers for every payment, or CIS annual returns. All payments made to subcontractors will instead be entered on a single monthly return to be submitted to HMRC. Additionally, the contractor must make a status declaration on the return that none of the workers listed are employees.

Even if no payments are made in a month, a nil return is still required and financial penalties will be levied for failure to make a return.

Whilst one of the aims of the new scheme is to reduce the regulatory burden on construction business, the new rules are not simple and indeed can have more far-reaching and serious consequences. It is thus vital that specialist advice is sought from your usual contact at Ritson Smith.

# News in brief...

## PraxityAISBL: A New Global Vision

In a joint initiative taken by former Moores Rowland International members and Mazars, a new international alliance of independent accounting firms has been created.

Ritson Smith is delighted to be part of this new alliance of like-minded organisations, enabling us to offer support to globally active clients across 65 countries worldwide.



## Bankruptcy law changes

The Bankruptcy and Diligence etc (Scotland) Act 2007 received Royal Assent on 15 January 2007. The provisions of the new Act which are to be phased in over the course of the coming months, introduce changes which will transform bankruptcy law in Scotland.

The new Act aims to modernise the laws of personal bankruptcy – for instance, it provides

for bankrupts to get their automatic discharge after only one year. The Act is also intended to bring a better balance between the rights of creditors and debtors and will affect Social Landlords and Property Managers.

Give Ewen Alexander a call if you want more information on the new Act.

## A fond farewell

After sixteen years with Ritson Smith, Moira Carle retires as our practice administrator on 1 June.

Thank you Moira for sixteen years of devoted service – we wish you well and hope you enjoy your well earned retirement.

## Welcome

The new Transaction Support team welcomes two additional members of staff:

Stefano Vincini comes to Ritson Smith from Deloitte in Aberdeen. Stefano previously worked in London and he is looking forward to being part of the new team.

Reny Paul joins us from KPMG in Dubai. A member of the Institute of Chartered Accountants of India, Reny is also studying for her CIMA qualification.



## From fishing to fizzy drinks

As you will have seen from page 6, Ritson Smith has a number of food industry clients, operating across a range of food industry sectors from farming and fishing to food processors and hotels and restaurants.

We are delighted to continue our support of the local food industry by sponsoring the Taste of Grampian one-day food and drink festival which will take place on Saturday, 2 June 2007 at the Thainstone Centre, Inverurie.

Local producers will invite visitors to taste and buy the very finest local products which are grown, produced or made on our doorstep.



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