

Our client profile this issue details *Great Rail Journeys* - a successful niche tour operator. Started, and still operated by Ian Macbeth and Howard Trinder, Great Rail Journeys's humble beginnings were to run office trips for British Rail staff in the 70s and 80s. Both worked for the railway until the late 80s when the business had grown to the extent that a living could be made so the chance of voluntary redundancy from the railway was taken!

Over the years they have often said that it would be impossible to start a business today as they did. It was totally unregulated with no financial security for the customers, freedom to write their own booking conditions and absolve themselves of responsibility for almost any incident that may happen. They ran an honest operation and gained many regular clients but some operators were content to take advantage of a lax system. Today the tables have turned and the whole industry is heavily monitored. With financial regulation and codes of conduct for booking conditions clients can book their holidays with confidence.

Ever since its conception GRJ has operated to the same theme - escorted holidays by rail to Europe and worldwide. Every holiday is escorted by a professional Tour Manager, someone with a proven track record in managing people who can empathise with their typical clients - generally 55+ couples with a high disposable income. The holidays are inclusive of extras such as sightseeing

and excursions and usually half board. Furthermore over 75% of clients travel First Class.

Outside Europe clients have to endure a flight to start their rail journey but then have the opportunity of crossing Canada or the USA by train, experiencing the luxury of South Africa's Blue train or racing through Japan on the Shinkansen 'bullet' train.

The business is operated with a staff of just 22 backed up with about 80 Tour Managers. 2004 will see a programme of almost 500 groups with a total of about 17,000 clients.

A large marketing budget sees promotion of their holidays in most quality weekend newspapers as well as many magazines with the appropriate client readership. Careful monitoring of responses ensures they know exactly where the business comes from and is selectively followed up.

With the ever improving European rail network and introduction of new high speed lines rail can only increase its market share for leisure travellers.



Ian Macbeth & Howard Trinder

With their comprehensive knowledge of railways GRJ are in a prime position to exploit this market. We wish them every success in the future!

For further details, please contact:  
Great Rail Journeys, Saviour House,  
9 St. Saviourgate, York YO1 8NL  
Tel. 01904 521900 Fax. 01904 521905  
grj@greatrail.com  
www.greatrail.com

## Forthcoming Events

*Property Investor Exhibition - 23<sup>rd</sup> October, York Racecourse*

Garbutt & Elliott will be exhibiting at this event and our Senior Tax Consultant, Duncan Meredith will be giving a short presentation about the services available through our Property Services Team.

The exhibition will commence at 2pm and conclude at around 9pm and promises to be a very interesting day, which will include a live Property Auction by Hunters Estate Agent taking place from 4pm - 5pm, and seminars and presentations from 6.30pm until 9pm.

*Institute of Directors Talk - 17<sup>th</sup> November, Minster Jaguar, York*

One of our senior taxation consultants, Ray Cadman will be presenting 'Driving down Tax' for the Institute of Directors, which covers various remuneration planning strategies.



## Other major Events

### Breakfast Tax Briefing

Thursday 27<sup>th</sup> November 2003, Wetherby Jarvis Hotel, 8.30am - 10am

We are holding a major tax planning seminar where you can get up to date advice and tips on current tax planning opportunities.

Aimed at business owners and directors, the seminar will provide a useful 'checklist' presented in a 'user-friendly' way.

Areas covered will include: Share Schemes, Corporate Venturing, EIS,

Remuneration Planning, Succession Planning - extracting shareholder value, Tax Reliefs and Allowances.

Presenters will include:  
David Dickson, Adrian Widdowson, Nigel Shaw, Duncan Meredith, and Ray Cadman.

For further information and a booking form, please contact Karen Muir on 01904 341200 or [kmuir@garbutt-elliott.co.uk](mailto:kmuir@garbutt-elliott.co.uk)

## Congratulations

### Exam Successes

...Garbutt & Elliott have now become one of the first Sage accredited resellers in the region. Sharon Powell and Clare Blair are now Line 50 Sage resellers, and Andrew Schofield is now a Sage Payroll reseller, having all successfully passed the Sage Reseller and Accreditation Programme...

...Matthew Grant recently passed his Association of Taxation Technicians (ATT) Exam...

...Kelly Temple has passed her recent ACCA exams and is now focusing on her finals next year....

...Clare Blair has also had success with the successful completion of another stage of her ACCA exams, along with Jill Taylor and Jacqueline Ulliott...

...Ian Kent has recently passed his 'professional stage' ACA (Association of Chartered Accountants) exams...

...Chris Blackburn, Chris Chambers, Stephen Garbett, Sam Kay, and Phil Wileman have now passed their appropriate stages of the AAT exams (Association of Accounting Technicians)....

### Babies

...Congratulations to Richard and Donna Green who are now the proud parents of Ben, who was born on 13th June...

...Congratulations to Sarah Ashton and her husband Barry who are now the proud parents of James who was born on 26th September....

### Marriage

...Congratulations to James Gilbert who married Lesley at Greta, during the summer...

Garbutt & Elliott

# News

## Issue 2 - 2003

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

- Green shoots of recovery?
- Money for Business exhibition
- Inheritance Tax planning - Post Eversden
- Workforce Development Programme
- Corporate Venturing Scheme
- York Millennium Volunteers
- West Yorkshire Ventures Initiative
- Breakfast tax Briefing
- Congratulations
- Client Profile: Great Rail Journeys

# Green shoots of recovery?

Maybe there is a glimmer of recovery in the Corporate Finance market, as Richard Feltham describes.

The deal statistics shown in the tables, showing the various ways that people buy or dispose of businesses confirm that the year to 31 March 2003 was a tough time for Corporate Financiers in the Yorkshire and Humber region. The Iraq war and falling stockmarket values having influences on general confidence.

It is particularly notable that:

- Corporate acquirers are becoming less active and increasingly focussing on enhancing value through attention to core businesses;
- Deals in the sub - £10 million bracket were hit particularly hard possibly as vendors struggled to come to terms with reduced values being attributed to their businesses by fewer potential buyers;
- Management buyouts held up well generally and in our experience are often a smoother route to exit;
- Minority stake deals decreased perhaps surprisingly given the Corporate Venturing tax breaks available and discussed elsewhere in this newsletter.

At Garbutt & Elliott Corporate Finance, we are seeing some signs of recovery in the market and have invested in an expansion for the future as a measure of confidence. We are therefore pleased to welcome John Stitchman to the firm as a manager in the corporate finance team (see profile on page 2). We can now service all Corporate Finance needs for buyers and sellers of businesses on deal sizes typically up to £15 million from due diligence through to trade sales and management buyouts and we offer a cost-effective alternative to some of the other players in the market. We would be delighted to talk to you about any deals you may be contemplating.

Deals completed involving a Yorkshire & Humber company by type

Type	Number of deals 2002/03	Number of deals 2001/02
Acquisition	218	241
Initial public offering	2	4
Institutional buy-out	4	2
Joint-venture	6	6
Management buy-in	6	6
Management buy-out	37	40
Merger	4	4
Minority stake	42	71
Planned IPO	0	3
Share buy back	13	6
<b>Total</b>	<b>332</b>	<b>383</b>

Deals completed involving a Yorkshire & Humber company by value

Value (£m)	Number of deals 2002/03	Number of deals 2001/02
Up to 5	98	149
From 5 - 10	15	33
From 10 - 20	21	18
From 20 - 50	24	11
From 50 - 100	8	3
More than 100	8	10
Unknown value	158	159
<b>Total</b>	<b>332</b>	<b>383</b>

Tables reproduced from the Newsco Insider Corporate Finance Directory - Yorkshire & Humber 2003

## Money for Business Exhibition

### 21<sup>st</sup> & 22<sup>nd</sup> October, Royal Armouries, Leeds

Richard Feltham is one of the main presenters on Tuesday 21<sup>st</sup> October at the Money for Business Exhibition. From 3 pm to 4 pm he will be presenting 'VENTURE CAPITAL - Finding Funds in a Difficult Market', which covers issues such as:

- How to catch the eye of a venture capitalist
- Returns expected by the venture capitalist and the impact on your equity stake
- What involvement will the venture capitalist have in your business - Pitfalls to avoid.

For further information or to reserve your place on Richard's talk, please contact Karen Muir on 01904 341200 or [kmuir@garbutt-elliott.co.uk](mailto:kmuir@garbutt-elliott.co.uk)

Richard Feltham  
Director  
[rfeltham@garbutt-elliott.co.uk](mailto:rfeltham@garbutt-elliott.co.uk)



## Stop Press!

### Website

Our new website is now up and running and has a whole host of new features including the latest business and market news, 'deal maker' - which shows businesses for sale or required, 'pay as you go' credit checker and company searches, and online calculators. [www.garbutt-elliott.co.uk](http://www.garbutt-elliott.co.uk)

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[www.garbutt-elliott.co.uk](http://www.garbutt-elliott.co.uk)

## Inheritance Tax Planning - Post Eversden

The recent Court of Appeal announcement in the Eversden case has led to unprecedented amounts of publicity, concerning Inheritance Tax Planning, not only in the professional/technical press but also in the broadsheets. A recent article in the weekend Financial Times suggested that it was now "open season" on Inheritance Tax (IHT) planning designed to protect the family home and it was a case of "act now before the Chancellor blocks this apparent "loophole" in the 2003 Finance Act" (Clause 186 of the Act which received Royal Assent on 10 July 2003 did just this!!!).

However, the maxim "act in haste repent in leisure" should be borne in mind in this situation as the planning proposed in the Eversden scheme was not appropriate to all married couples and it is understood that one city lawyer who was involved in this type of planning would only act where the private residence was worth in excess of £1m!! This is, as much due to the underlying costs of this and other schemes, in order to make the potential IHT savings look attractive.

However, it is worth reminding clients that the ability to "run" with these tax schemes is not mandatory when it comes to IHT planning, as this tax can still be regarded as "voluntary" provided effective steps are taken in advance and in consultation with your family's wider objectives. Often it is the basic IHT planning opportunities, which over a lifetime, can produce significant tax savings such as: Gifts Out of Income, Use of Annual Exemptions, Gifts to Charities, Small Gifts Exemption, Gifts on Consideration of Marriage, Business and Agricultural Property Relief, and Potentially Exempt Transfers.


We would obviously consider the appropriateness and correct balance of these types of planning opportunities on a case by case basis.

### Overview

The publicity surrounding the Eversden case is giving rise to a greater awareness of IHT as a tax, which incidentally is escalating by almost 10% per year and catching out more individuals and their estates as a consequence. Therefore, the importance of "going back to basics" should not be overlooked when considering steps to mitigate IHT, because very few taxpayers have properties worth in excess of £1m and the inclination to pay legal fees for "scheme implementation" of £50k upwards!! However, now that the Chancellor of the Exchequer has closed this particular loophole, (as he has done with all previous loopholes) this will ensure we look at more conventional IHT planning, including a more structured use of the exemptions and reliefs outlined above.

If you feel you or a member of your family may have a particular IHT problem you can contact me on the number below or alternatively by email and I will be pleased to have an initial discussion with you.

Nigel Shaw  
Trusts & Estate Planning Director  
nshaw@garbutt-elliott.co.uk



## Workforce Development Programme


### Help for Manufacturers in West Yorkshire.

The Workforce Development Programme is funded by Yorkshire Forward and aims to offer specialist support to Manufacturers in West Yorkshire.

As part of our ongoing commitment to the Workforce Development Programme, we are running a series of courses to improve the financial skills of our clients. The courses are entitled 'Finance for non-financial managers' and are aimed at those senior employees who have little involvement in the financial aspects of the business and would benefit from a greater understanding.

The first of these courses is being run at the Ramada Jarvis Hotel in Leeds on 11 November and is open to manufacturing businesses based in West and South Yorkshire. If you would like any further information on the course or the Workforce Development Programme please contact Richard Green in our Leeds office.

Richard Green  
Director  
rgreen@garbutt-elliott.co.uk



## Corporate Venturing Scheme

The Corporate Venturing Scheme (CVS) was introduced in 2000 to encourage established companies to take minority stakes in other, unconnected companies. In return for doing this, companies receive tax relief that largely mirrors that available to individual investors through the Enterprise Investment Scheme (EIS) and includes:

- A corporation tax refund of up to 20% of the amount invested;
- Relief for losses, if the CVS investment is unsuccessful, against income; and
- A form of roll-over relief for gains on CVS investments.

In order to participate in the scheme the investing company must comply with a number of conditions including not owning more than 30% of the issuing company throughout the qualifying period of three years and not being able to exercise control over the issuing company. There are also anti-avoidance provisions to prevent the issue providing protection to investors against the risks associated with the investment.

To date, the take-up of the CVS has been low, Inland Revenue statistics issued at the time of the 2003 Budget show an expected cost of CVS tax relief as negligible for the year to 5 April 2003 compared to a cost of £230 million for EIS.

Since the investing company can only take a minority stake in the issuing company and cannot exercise control it is imperative that a shareholders' agreement is put in place in order to afford the investing company some protection.

The agreement should be drafted so as to cover the common complaints of minority shareholders, chief amongst these are:


- Exclusion from management;
- Dividends policy;
- Excessive remuneration of directors; and
- Limited access to information.

All of these issues can be addressed in the agreement. For example, the basis for increasing directors' emoluments can be set out and a formula for the calculation of dividends can be included.

The agreement may also include a mechanism for valuing the business on exit.

When drafting, consideration must be made of the requirement of the CVS that the investing company is not permitted to exercise control over the issuing company. Therefore, the inclusion of a clause that gave the investing company a veto on all business matters would result in the investment not being eligible for the CVS.

John Stitchman  
Manager, Corporate Finance  
jstitchman@garbutt-elliott.co.uk



With a well drafted agreement the CVS can prove successful. The investing company can avoid the pitfalls of minority shareholding whilst partaking in the profits of a high growth business and receiving significant tax relief.

If you are interested in receiving more details of the Corporate Venturing Scheme please contact John Stitchman in our Leeds office.

### PROFILE: John Stitchman Manager, Corporate Finance

John Stitchman joined our Corporate Finance team in Leeds from Ernst & Young's Corporate Finance Department in Leeds, where he specialised in financial due diligence, working on a wide range of projects for Venture Capitalists, private companies and PLC's. John trained with KPMG in Leeds and upon qualification spent over one year in their Transaction Services department principally performing due diligence work for Venture Capitalists. John joined the firm on 1 May 2003 and has already worked on a number of fund raising exercises for early-stage businesses as well as due diligence exercises.

## Three for the price of 'none'

3 teams, 3 projects & 3000 hours for the 3rd year running.

This year, Garbutt & Elliott were pleased to sponsor the York Millennium Volunteers. Over the summer holiday, 3 teams of young people gave 3000 hours of their time to tackle 3 community projects. In just 4 weeks, they created a wildlife garden for adults with learning difficulties, gave a charity shop a facelift and designed an outreach programme for the National Railway Museum.

York Millennium Volunteers helps 16-24 year olds to get involved in their local community. For the last 3 summers, they have managed the 'York MV Summer Projects', giving young people

the opportunity to work together and take ownership of a complex project to deliver something of real benefit to the community.

The teams have benefited from the generous support of local businesses, which have provided discounts, expert advice and team budgets. In anticipation of Summer 2004, they are currently seeking supporters and ideas for new community projects. If you might be able to help please contact:

Jacqui Tesselment, MV Programme Manager  
01904 432499, jct4@york.ac.uk



The Millennium Volunteers celebrate their successful garden makeover

## Garbutt & Elliott are taking part in West Yorkshire Ventures initiative to create million-pound turnover companies.

The scheme aims to give start-ups and businesses less than 12 months old access to high quality professional advisers who will help produce effective business plans, opening the way to significant investment funding. The programme can also provide assistance with legal, marketing, IPR and other appropriate consultancy. Both traditional and technology-based start-ups are eligible, and are selected for the programme on the basis of growth potential, typically a projected turnover of £1m by the end of the third year of trading.

Amongst the diverse range of businesses who have already been advised by the firm are Owlmed, a Yorkshire-based medical device company which specialises in replacement heart valves.

Owlmed was founded in February 2002 by surgeon Alben Davies, the former director of heart research at Killingbeck Hospital in Leeds. He says: "We have a multi-disciplinary core technology very much at the "cutting edge" of medical implants."


Other start-ups to have benefited from Garbutt & Elliott advice under the West Yorkshire Ventures programme include a firm developing new training software for surgeons, a second working to bring an innovative cable for the construction industry to the market. All are now talking to potential investors.

Corporate Finance Director Russell Turner says: "One of the major barriers that a start-up business has to overcome is finding the money to develop its product and cover the day-to-day expenses necessary to survive, especially during the period prior to generating sales.

To attract investors and banks to provide funding, having a good quality business plan with detailed financial forecasts is very important. The professional advisor's role is to maximise the chance of securing funding by addressing all the commercial and financial issues each start-up may have. The issue with this, of course, is that professional experts cost money as well, thereby compounding the funding problem.

The West Yorkshire Ventures initiative breaks this cycle by enabling us to prepare business plans and cash flow projections at no cost to the start-up business. It is providing a real opportunity for businesses to succeed and I see it is an excellent way of kick-starting new and innovative businesses, all of which are so vital to the future regional economy."

Russell Turner  
Director, Corporate Finance  
rturmer@garbutt-elliott.co.uk



## STOP PRESS - EU INVOICING DIRECTIVE

You may be aware that changes are afoot in the format of VAT invoices as a result of the EU Invoicing Directive. The changes come into force on 1 January 2004, though as yet the final regulations have not yet been published. The main change to invoices is that all invoices will have to quote a "unit price". Customs and Excise are indicating that there will be a long transitional period (at least six months) to allow existing stocks of stationery to be used up, but the "unit price" rule will apply from 1 January.

Other changes affect or may affect self-billing, credit and debit notes, simplified invoices, e-invoicing and translation of invoices into the recipient's language.

We have prepared a briefing note for clients on this subject. If you haven't already received a copy, please contact Adrian Widdowson in the York office or your usual Garbutt and Elliott contact. You can also see a copy on our web site.

## NEW RECRUITS

Profiles of some of our recent recruits:

### PROFILE: Jeff Hutchinson Audit Manager

Jeff Hutchinson joined the firm as an Audit Manager this summer. He qualified in 1981 and has a wide range of experience dealing with audit, accounting and taxation matters for companies, charities, pension schemes and other entities. He has experience of working for both regional and national firms of Chartered Accountants in the Yorkshire region. He is also the treasurer for Howden Juniors AFC, and has been since 1995.



### PROFILE: Donald Inglis Manager - Business Services

Donald Inglis joined us earlier this year from Henderson & Black accountants in Fife. He is originally from a farm of 300 acres in Fife, Scotland and has substantial experience in the farming industry. He joined us as a manager in our business services department and specialises in looking after our agricultural and land based clients.



### PROFILE: Robert Peel Trust Services Manager

Robert Peel joined our Leeds office from PKF in Nottingham as a Senior Tax Manager with 30 years experience in advising clients on a variety of tax matters. His main areas of expertise are Trust and Inheritance Tax compliance and planning issues affecting the high net worth individual. He also has considerable experience in advising Owner Managed Businesses on Income Tax, Capital Gains Tax and Corporation Tax issues as they affect not only their business but also them personally.



### PROFILE: Vikki Skilling Manager, Business Services Department

We would like to formally introduce Vikki Skilling - a Manager who has been looking after clients in the Business Services department. Vikki joins us with a very scientific and technical background having worked as a mechanical engineer in the RAF and then becoming a Chartered Accountant following attaining a degree in Civil Engineering. Vikki trained for her Professional Qualification in Scotland and comes with an in-depth knowledge of owner-managed businesses.



### Business Services Department

In addition Sam Kay, Laura Harrison, Julia Henderson and Louise Turner have joined the Business Services department as trainees.

### Audit Department

Martin Davey recently joined us as a semi senior and we also welcomed Jacqueline Ulliott as a trainee in our York office.

### IT Department

Chris Aylott has joined our IT department as an assistant.

### Admin Support Staff

Anne Hampshire is PA to director Susan Reid and Jo Robinson is PA to directors Craig Manson, Colin Foster, and John Kirman. Maxine Clarke recently joined the Tax Department, Lucy Page has joined the bookkeeping department as a trainee and Bev Gill now provides office support to our York office.

And finally, Maureen Gott joins us as our new afternoon receptionist from 1pm - 5.30pm.