

Autumn 2006

advisor

The magazine for business finance professionals

Tailored for growth

Essential start-up products made to measure

Clients with HR problems?

Getting up to speed with Mentor Services

Advisor Award Winner

Hot tips and hints from this issue's winner



Inside this issue:

Facts and figures – expert advice – spotlight on agriculture

 NatWest

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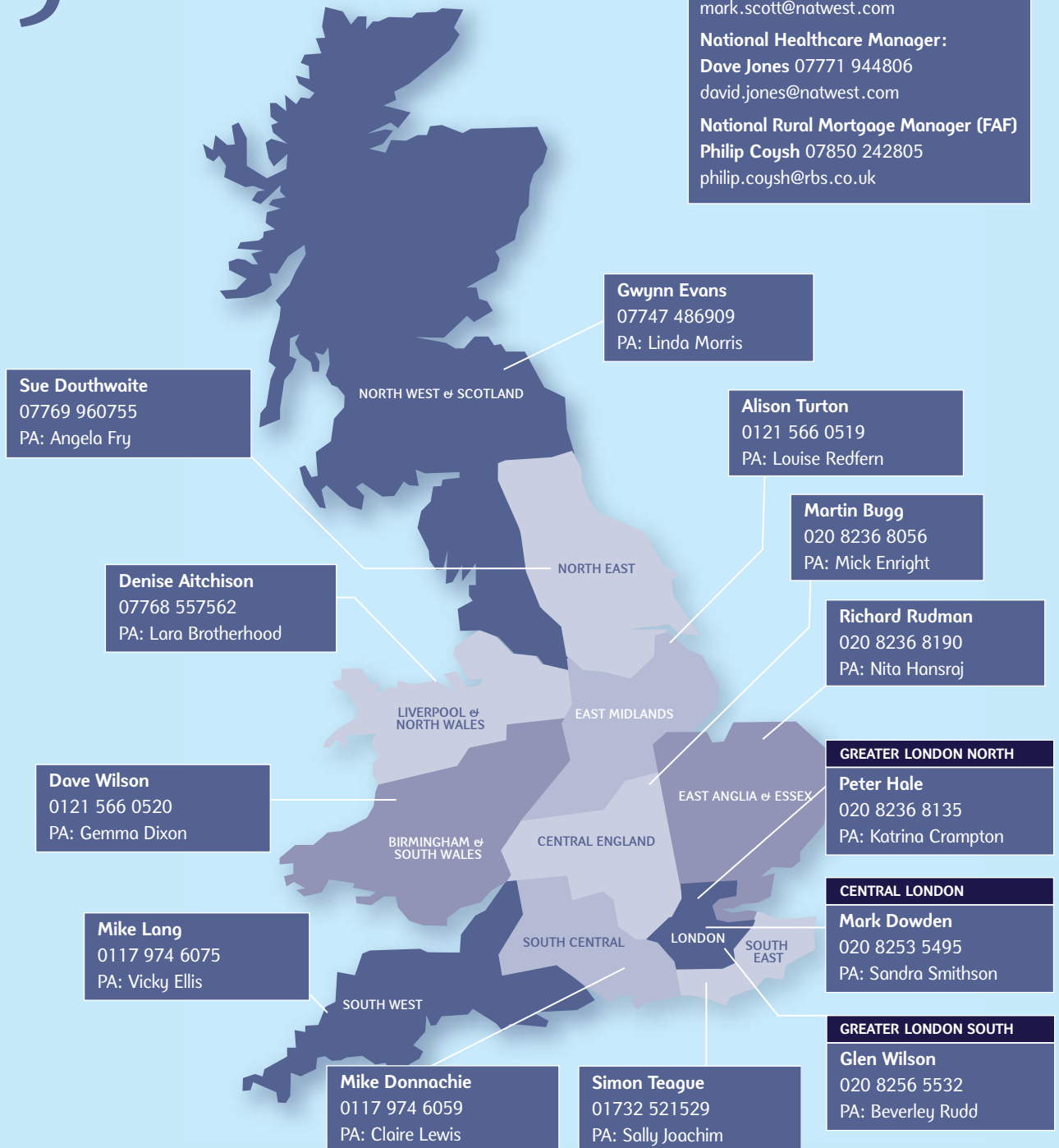
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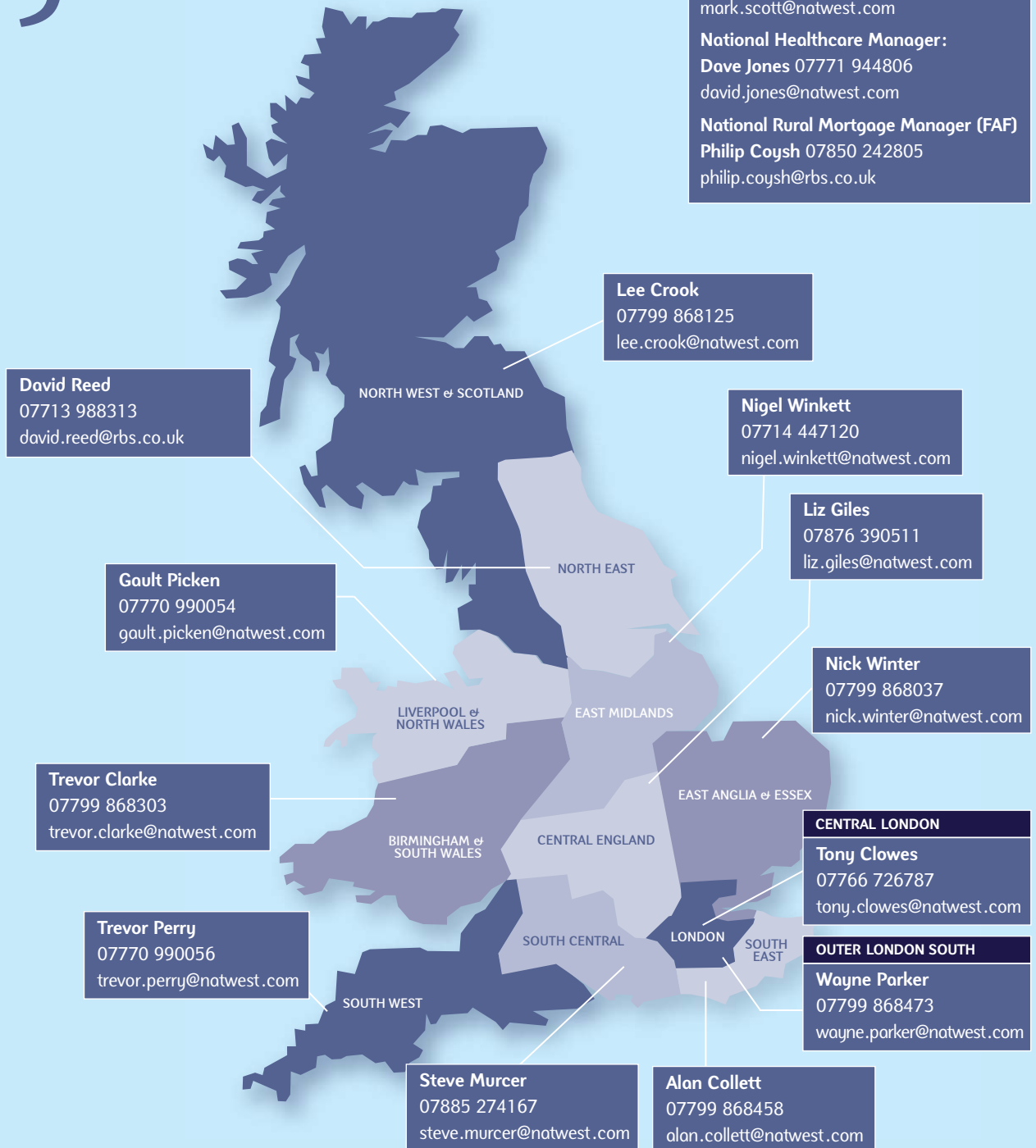
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Welcome to *Advisor*, the magazine helping you to strike better deals and win more clients.

In this issue we're focusing on start-ups. Last year saw yet another increase in new business launches (see Facts and Figures on page 10), and in our Briefing (page 6) we look at financial packages that can help to see them through the first year and beyond – turning your start-up clients into regular business!

Former banker David Wright is our *Advisor* Award Winner. Read his useful hints and tips from life at the sharp end on page 5. Plus our experts answer your queries on page 8, and Sector Watch puts Agriculture under the spotlight.

Finally, your feedback on *Advisor* is vital, so please complete our Reader Survey for your chance to win a Samsung DigiMax V6 digital camera.

Yours

Pete Ferns
Director of Business Banking
NatWest

NatWest is committed to helping independent financial advisors and brokers. If you want details on NatWest's services or want to subscribe to *Advisor*, email business.development@natwest.com

advisor

Cover picture: Getty Images

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After 30 years at Barclays, David Wright's plans for a quiet retirement were derailed when he was invited to become a financial advisor. Now successfully flying solo, he reveals the secret of his success.

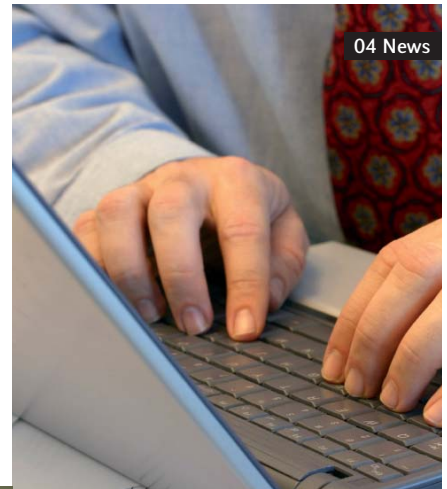


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The number of new businesses starting up in the UK rose again last year, but 1 in 10 are failing. Here we look at how you can offer your start-up clients specially tailored financial packages that will help to make them more durable, so that they stand a better chance of making it through their first year and beyond – which is good news for your business, too!



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Want to know how to effectively gauge a client's potential? Our experts deal with this query and more financial posers. Plus there's our 60-second guide to how your clients can benefit from Mentor Services.

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Are interest rates going to rise further?; More recruiting and more vacancies filled; What drives small business owners?; Start-ups on the increase; Agriculture under the microscope.



06 Lending for start-ups

Business online banking on the rise



Picture: istock

A growing number of businesses are going online to manage their company's finances, it's been revealed.

The British Bankers Association (BBA) said that 42% of firms now use internet banking.

Researchers also found that during the last 12 months, nearly 547,000 small businesses have established new banking relationships.

The BBA also said lending to small companies has increased by 10% over the year, while overdraft lending is also up by 8%.

Internet holds key to more Christmas sales

Retail businesses hoping to benefit from a busy Christmas season would be advised to boost their internet campaigns, as online analysts Hitwise UK predicts further growth in web-based sales this year.

The company forecasts an 8% growth in visits to retailers' websites compared to last Christmas, with online sales for December 2006 likely to be 20% higher than last year.

Hitwise UK's predictions are based on two years' data from more than 8 million UK internet users.



Picture: istock

NEWS IN BRIEF

A woman's world?

Flexible working could soon make the UK a 'women's economy', according to a new report.

The BT research suggests that women over 50 will be recognised as the best managers due to their recognition of flexible working.

Firms keeping it local

Nearly half of UK businesses call themselves 'local' despite the rise of the globalised marketplace, a study has revealed. Despite rising international trade, 43% of companies said they were focussed on their local area. Report authors Microsoft called the results "worrying".

Business plans snubbed

Many entrepreneurs are failing to attract funding by believing they do not need a business plan, according to Business Link for London. The organisation said that 68% of budding business bosses in London felt they didn't need a plan, fuelling an 80% failure rate when it comes to securing finance.

Striking a balancing act

Surprisingly, most business bosses aren't all workaholics, according to new research by business software company MYOB. The survey found that 6 in 10 bosses defined success as a balance between family and career.



The benefit of a NatWest business account

NatWest has released a range of services and benefits aimed at supporting businesses who open a new NatWest business account. It offers more than £1,000 worth of incentives, including a variety of banking, marketing and insurance discounts including:

- Free mobile phone insurance for 12 months on two handsets
- Free marketing support for 2 months
- Free business card for 12 months
- Free life cover for 3 months
- Up to 25% discount on insurance

● Exclusive remortgage rates

As well as the financial benefits, NatWest is offering the services of a dedicated Business Manager, who can provide advice and guidance to help ensure your clients' success.

In addition, all NatWest's small business customers can have a direct line to their Business Manager, as well as 24/7 support from our Advisors.

To take advantage of these offers, clients can either visit any NatWest branch, or talk to a Customer Advisor on 0800 282 700.



It's vital to get to know the banks



Former banker David Wright is this issue's *Advisor Award Winner*. He's shown real aptitude and appetite for finding creative solutions to complex deals and introduces clients' cases in a way banks like. Here he offers key insights into handling transactions.

VITAL STATISTICS

NAME: David Wright
AGE: 53
PREVIOUS JOB: Barclays Bank – 30 years
HOME: Fairlight, East Sussex
HOBBIES: Playing golf, watching rugby and cricket
LAST BOOK READ: James Clavell's *Shogun*
LAST FILM WATCHED: *Star Wars Episode III: Revenge of the Sith*
CONTACT: 07977 572 829
david.wright94@btoopenworld.com

What does your business do?

I arrange finance for buyers of businesses or properties. I also help to arrange associated spin-offs, such as life insurance and business insurance through contacts.

How did you start?

I planned to retire, but was offered a job. I took it, but felt the way they handled clients was unethical, so set out alone.

Where are you now?

It's just me. My turnover's under £100,000, but the workload's about right.

Who are your clients?

Mainly those buying a business for the first time. I also get involved in some big deals and recently refinanced an office building just off Brick Lane for £4m.

Where do you find your clients?

I have four main sources of introductions: a mortgage broker, an insurance broker, a businessman with his own property portfolio and individual recommendations.

Where's the best place to advertise?

I don't advertise and don't have a website. There's a worry people who respond to ads may have been declined elsewhere. You could be dealing with a county court judgment or an ex-bankrupt.

What's the secret behind your success?

Having spent 30 years in banking, I tend to know whether the bank will lend, what amount and the fees and charges. Clients trust that if I say I can't do it, I can't do it.

What are the pitfalls to avoid?

Never talk down to people, use jargon or try to confuse them.

What's your most satisfying deal?

The Brick Lane office block refinancing. It was legally complex as there were lots of tenants. It took three months, but we eventually got the money released.

What advice would you give someone starting out?

It's key to understand what the banks will offer and their sector preferences. You

need to find an individual in each bank you can deal with. If you stick with them for deals, the more helpful they'll be in future. The other crucial thing is to line yourself up with introducers. Also, I use banks and building societies that are more prepared to lend and will offer stronger repayment terms. Finally, try to charge fees when you produce the offer letter. Most of the people I deal with accept this as standard procedure.

What's happening in your sector?

London seems very buoyant. Property prices are still rising rapidly, but residential buy-to-let is not really worth it as rental prices remain static, so the yields are lower. I also read a lot that local shops are under pressure from supermarkets, but those I deal with still feel they can make money. London is built up heavily in some areas, so retail sites are hard to secure.

WHO'S NEXT?

Have you got what it takes to be an *Advisor Award Winner*? If you think you have, simply email your details and a brief summary of your achievements to: business.development@natwest.com



Lending to help start-ups

Successful new companies make regular clients and NatWest's suite of start-up packages are aimed at helping businesses to get through those difficult early years



Picture: Masterfile

Every year more than 400,000 businesses start trading in England and Wales and, at some point, each one will need extra financing, whether it's to buy new equipment, raw materials or to finance growth. The flipside is that, unfortunately, an estimated 330,000 fail. As there were an estimated 4.3 million business enterprises in the UK at the start of 2005, according to the Small Business Service – an increase of 59,000 (1.4%) on the previous year – this means that around 1 in 10 businesses fail every year.

Ideally, you want the companies you advise to be there year after year. The good news is that, recently, the one-year survival rate (those businesses trading beyond their first year) has levelled off at around 92%.

The three-year survival rate has also evened out at just below 70%, decreasing slightly for businesses registering between 2000 and 2001 (www.sbs.gov.uk/survival). Businesses still trading beyond their third year tend to survive for the long-term.

To help make start-ups robust enough to last – which means a client that keeps on coming back for advice – NatWest has developed a suite of products and services to help businesses get started and obtain the funding they need. There are three parts to NatWest's start-up offering:

- 1 START-UP ACCOUNT OFFER**
- 2 THE FLEXIBLE BUSINESS LOAN**
- 3 NATWEST TRAINING COURSE**

1 START-UP ACCOUNT OFFER

NatWest has put together a special start-up business account with a wide range of benefits and services to help your clients get their business up and running while saving them time and money. The details of the account includes:

- Free banking for up to 18 months
- Discounted account fees for a further 6 months
- A choice of a local Business Manager and/or telephone-based business banking
- A NatWest Business Card
- Business deposit accounts
- Free Business Advisors over the phone (Businessline) and NatWest OnLine Banking
- A free Business Review, whether your clients bank with NatWest or not
- 12 months free use of the award winning MyBusiness Essentials software.

Account users also receive a copy of the NatWest Business Planner software which won the award for Best Business to Business Service at the 2005 Revolution Awards. This software has been designed to take the hassle out of planning. Users can do a quick reality check on their business idea, focus on personal and business goals, and manage their accounts, appointments, jobs, invoices and customer and supplier records.

In addition NatWest also offers every start-up access to the NatWest online library of Business Guides for expert tips and guidance.

To take advantage of the Start-up offers, your clients only need to pop into any NatWest branch, or talk to a Customer Advisor on 0800 282 700.

2 THE FLEXIBLE BUSINESS LOAN (FBL)

From starting out to building a business – financing through the stages

This borrowing option lives up to its name. It allows businesses to borrow money and then pay back on terms that are convenient for them. It not only offers more choice right from the start, but also gives your clients further options as time goes by, like pay nothing or pay less. Essentially, the FBL allows businesses to:

- Make lump sum payments as

and when they have surplus cash.

- Take a payment holiday for the first few months or just pay the interest. Then the repayments simply rise to cover what they would have paid over the holiday period.
- Increase their payments whenever it suits them.
- Withdraw money from any extra loan payments they have made should they need money quickly.
- Withdraw the loan in stages and pay less interest overall – useful if they don't need the full amount all at once.
- Switch to weekly, monthly or

quarterly payments, depending on their cash flow.

- Make lower payments at the start of the loan, then increase them later.

The real beauty of the FBL for an advisor is that it fits practically any business and any eventuality you're likely to come across. For example, if your client wants a loan that starts with low payments while they find their feet, or needs to take a payment holiday because the new equipment they've bought won't start producing revenue for a few months, then the options are there.

As Mark Lucas, NatWest's FBL Product Manager, says: "The FBL will fit any client – it can be as easy or complex as the business wants. There's an option to suit everyone."

The rates charged for the loan are also negotiable as is the loan period.

"NatWest will lend money for periods up to 25 years, and the loan amount really depends on the business type," explains Lucas. "What's more, our Credit Team aims to turn around FBL requests in 24 hours, with draw down available as soon as the security is in place."

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP THE REPAYMENTS ON YOUR MORTGAGE.

3 THE NATWEST TRAINING COURSE

Your start-up clients can also get free guidance on running a new business through the NatWest Training Course. It's designed to help companies think about the business sector they're about to enter, as well as providing valuable marketing advice and tips.

The course is entirely online and takes seven weeks, but users can work their way through it at their own pace and there are no tests at the end of it.

To sign up for the course, all businesses need to do is register in the Start-up section of natwest.com. After this they'll be sent two fact sheets by email.

One is a business profile on their particular business type. This covers details about the business, market trends, key start-up considerations, and gives sources of further information. The other sheet tells clients about their location. It covers

demographics of the area, including population, employment levels, age profile, qualifications, a demographic review and business rates, through to broadband connectivity. Plus there are details of local support agencies.

Next, clients are sent one email every day for the next week. The daily emails are meant as a sense check and the content is aimed at a fairly high-level. They ask questions like: "Have you looked at health and safety issues," and: "Have you thought about where you're opening your business."

After this the emails are weekly and cover business in more detail.

Even after businesses have completed the course, they will continue to receive a monthly newsletter containing information and guidance that's intended to help them as they get up and running.

WHERE NEXT?

- For more information on NatWest's start-up packages, contact your local Business Manager – see page 2.



Put it to The Experts

From getting help assessing clients to the benefits of cutting out the middle man, our team of experts provides advice and answers your professional queries

MEET THE EXPERTS



Keith Heron
National Association
of Commercial Finance
Brokers (NACFB)
www.nacfb.org



Alastair Hutt
Head of Introducer
Development, NatWest
Business Banking

the aim of deciding if the business brings in revenue regularly. Have they put enough aside to pay the bills? Will they be able to cope with periods where revenue is slack?

Then there is security, and by this I mean is the property being offered acceptable to the lender in terms of its condition, location and of course its value?

Alastair Hutt adds: Although serviceability is something that will have to be looked into when assessing a business, and Keith's points are spot on, this is one of the tasks you can leave to NatWest's Credit Team, as they can pick out this sort of detail pretty quickly.

START-UP HELP

I'm just starting out. Where can I get help assessing clients?

Keith Heron replies: My advice to anyone who is inexperienced in assessing clients is to establish a relationship with a specialist commercial finance broker.

In this set up you will be, effectively, the lead generator. The broker will provide you with back up when it comes to gaining an understanding of the client's business needs, together with a wide source of finance and a nose for how successful a business will be.

The advantage to you of building this kind of relationship is that you have access to an experienced broker who can quickly gauge the likelihood of a loan being made. What's more, over a period of time, you should be able to pick up their skills at assessing whether a potential client is a good or bad risk.

RECOMMENDATION CRITERIA

What key features should I be looking for in a business before making a recommendation?

Keith Heron replies: An experienced broker will look at three aspects, which I call 'the three S's' – status, security and serviceability. Essentially you need to determine the status of the individual – are they experienced in the business, do

“Experienced brokers will look at three aspects of a business: status, security and serviceability”

they have a track record, is the business located in the right place?

Then in terms of serviceability, it's a question of looking at their funding with

GOING DIRECT

Why should I deal with NatWest directly rather than through an intermediary?

Alastair Hutt replies: When you're experienced you should know enough to find the best deals and spot the best customers, so you can cut out the middleman and go direct. It's better for your clients, as they get a faster response, and you get more revenue as you don't have to split the fee. For example, say your client owns personal property. If they have around £300,000 equity, are looking to get a loan of £490,000 to buy a freehold commercial unit worth £700,000 and want to loan the money over a period of 15 years, you will get the full introducer payment of £2,450. So if you could refer two similar clients a month to NatWest, you would increase your annual income by £58,800 a year.

COMMERCIAL MORTGAGES

We want to be able to recommend commercial mortgages but we're not sure when it's appropriate and when it's not, are there any guidelines on buying versus renting?

Alastair Hutt replies: Buying isn't for everyone, but it does give a company greater freedom than renting property. In general, the advantages to buying are:

- Fixed overheads – in years to come you can control your spending.
- The value of the premises may increase – over time this can prove to be a good capital investment.
- You could let the property in the future – if your business plans change, the property could provide an alternative source of income.
- It may be cheaper – to finance a mortgage may give a lower monthly outlay than to rent a similar property in the area you are considering.

However there are also disadvantages to buying a property, such as:

- It's not so easy to move or give up the premises when you want to – it may be harder to react to changes in your business because of the time it takes to sell.
- You need a substantial deposit – commercial mortgages require larger down payments than residential property loans.
- You have more responsibility for the maintenance and security of the property.

In the end, it really depends on the client.

Get focused in 60 seconds

NATWEST MENTOR SERVICES

NatWest's Paul Whittaker explains the benefits



Picture: istock

Q What is Mentor Services?

A NatWest Mentor is the fastest-growing employment law, health & safety and tax consultancy in the UK. We help UK businesses of all sizes achieve and maintain compliance and are unique in UK banking.

Q Is Mentor intended to replace a business's in-house HR or health & safety function?

A That depends on the customer. In a small business or start-up Mentor can be used instead of a dedicated HR or Health & Safety Officer, or to formalise employment law and health & safety systems as the business grows. For these customers, we offer fully compliant documentation and a Telephone Advice Line staffed by employment law and health & safety professionals. In addition, our optional insurance indemnity covers our clients' legal costs and expenses should they face a tribunal claim or prosecution under health & safety legislation.*

Larger businesses can subscribe to the same service or we can audit and update their existing systems. We also provide one-off consultancy services and a

programme of training services. We often act as a second opinion for these customers, helping in-house HR and health & safety generalists who need specialist advice on complex issues.

Q What sort of advice does Mentor offer?

A We offer advice on all UK employment law and health & safety issues. Plus our Health & Safety Crisis Management Service gives our customers the help they need, when they need it most.

Q Is commission to an Introducer paid for as long as the contract lasts?

A If an Introducer signs up a customer, they are rewarded with 10% of the first year sales value each year for the initial three-year contract. Then, if the client renews with us for another three-year term, commission continues at 5% per year.

Q When do I receive the commission payment?

A As soon as the customer has paid their third monthly payment, you'll get 10% commission on the sale.

*Terms & conditions apply

WHERE NEXT?

- For more information about NatWest Mentor Services visit: www.natwest-mentor.co.uk
- For more details about the National Association of Commercial Finance

Brokers (NACFB) and the services it offers visit: www.nacfb.org

- Got a professional query about any aspect of the financial market? Then put it to the panel by emailing business.development@natwest.com

THE ECONOMY

Are further interest rate increases on the horizon?

The minutes from the September meeting of the MPC suggested that Committee members viewed the August hike to 4.75% as having reduced “the degree of monetary accommodation”, implying that a future rise will happen if the economic news suggested it was needed.

Since then inflation has risen faster than expected and survey evidence suggests that more businesses across all sectors and regions are passing cost pressures through price rises.

This makes another hike to 5%, probably in November, very likely. Whether it goes further is harder to call.

The biggest worry for the Bank of England will come if businesses not only pass on the price rises, but also share the resultant profits with their workers in wage increases. Some 60% of pay bargains are struck in the first part of the year, just when most economists expect inflation to peak.

The peak will be at nearly 3%, which is the upper limit of the MPC's target level.

It may be this, therefore, that takes rates up again early to pre-empt the impact of wage settlements. But that could feed the beast if negotiators want income compensation for rising mortgage costs. Better perhaps to wait and see – and if they do they might spot a saviour on the horizon.

Petrol prices at the pump react quickly to oil prices, which at the time of writing have dropped nearly 25% since the August rate hike. Wholesale gas prices take longer and should filter into lower household bills next Spring. What an unlikely saviour oil may be!

SECTOR WATCH: AGRICULTURE

Snapshot of a key sector for IFAs

The agricultural sector is currently going through a period of change. The new Single Payment Scheme – which replaces 11 schemes, has decoupled subsidies from production and is now based on the land farmed – is proving complex to administer.

Three months after the date when the first payments were to be made, there were still 11,200 farmers waiting for the balance of their payments to be paid, while 200 were still to be paid anything. With £40m outstanding, this has obviously affected farmers cashflow.

The hot weather this year has also had a major affect. Dairy farmers are suffering most, as the summer hasn't produced enough grass for the cows, and farmers are already feeding their cattle winter grazing. Arable farmers are likewise affected by the changing climatic conditions.

One of the fastest growing agricultural sectors is organic produce, and it is expected to continue growing. However, there is increased competition from farmers in Europe where organic regulations are less strict than in the UK. But the complementary 'food miles' issue may negate this competition, as consumers start to search out produce that is locally produced rather than imported or driven miles and miles.

This is also being



Picture: Alamy

reflected in supermarket chains purchasing. For example, Booths in the North West ensures that 25% of its stock is locally sourced, and Waitrose will choose a local source if it exists.

The other major trend is diversification. As a result of competition from Europe and the rest of the world, more and more farmers are diversifying into different areas and are opening new enterprises, such as maize mazes and converting barns or buildings into conference and wedding venues and small boutique hotels.

Farmers are diversifying into different areas and opening new enterprises

● For more information email agriculture@natwest.com

More recruiting, more vacancies filled

A new report from Jobcentre Plus shows that over a quarter of British businesses were looking to hire new faces in 2005. Last year saw 27% of businesses (586,000 establishments) actively recruiting new staff, up from

559,000 in 2004. Small businesses were particularly active with over half (56%) recruiting or trying to recruit externally in 2005, up 4% on the previous year.

More vacancies are also being successfully filled across the country – 88% in 2005 compared to 86% in 2004. Despite a marginal drop in the overall number of jobs available throughout the UK, in some regions the volume of vacancies has grown considerably. For example, the total number of vacancies is up 25% in Scotland and 20% in the South West.

Sector	% of vacancies
Retail	16%
Hospitality	14%
Public Sector	11%
Healthcare	12%
Manufacturing	10%
Construction	3%
Call Centres	4%
Transport	3%

Source: Jobcentre Plus

Rise in start-ups hits new high

The Small Business Survey (SBS) SME Statistics 2005 shows a rise in new companies starting out. The start of 2005 saw 59,000 more start-ups than 2004 – a rise of 1.4%.

The total number of companies rose by 61,000 (5.9%) during 2004 to 1.1 million. This is the eighth successive year that companies have increased in number.

The number of sole proprietorships has changed little, up just 0.8% to 2.7 million, the third successive annual rise. Meanwhile, the number of partnerships has gone down by 4.4% to 520,000.

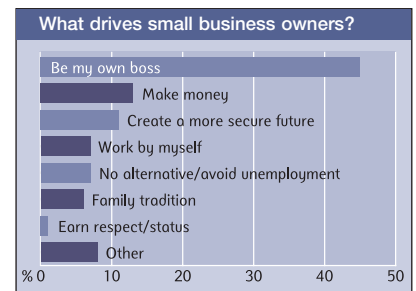
Percentage businesses started per sector	2005 %	2004 %
Business & Financial Services	27.76	28.51
Motor Trades, Wholesale & Retail	17.07	16.48
Construction	13.73	12.43
Other Services	12.31	15.32
Hotels & Catering	7.57	7.53
Property Services	5.95	5.82
Production	5.85	5.60
Transport, Post & Telecoms	4.51	3.76
Health, Education & Social Work	3.37	2.98
Agriculture	1.88	1.50

WHAT'S MY MOTIVATION?

Small business owners are not all driven by the classic desire to make money, according to the latest NatWest/SERTeam Quarterly Survey of Small Business. Only 2%, for instance, are mainly financially motivated and have the aim of expanding their business significantly over the next three years.

The group of micro-firms in which the proprietor or partners work without employees are mainly motivated by independence and do not aim to grow, but these only account for about 3% of small firm owners in the survey.

Other motivations include sheer enjoyment, as well as the desire to fulfill a market need which otherwise would not be satisfied. The majority of firms with employees aim for their business to expand over the next three years. Those which aim to grow their companies significantly mainly describe themselves as entrepreneurs, rate their businesses as entrepreneurial and almost all have made major innovations over the past year.



Source: NatWest/SERTeam Quarterly Survey of Small Business

WHERE NEXT?

- For help and advice on economic trends and how they could affect your business, contact your local Business Manager at business.development@natwest.com

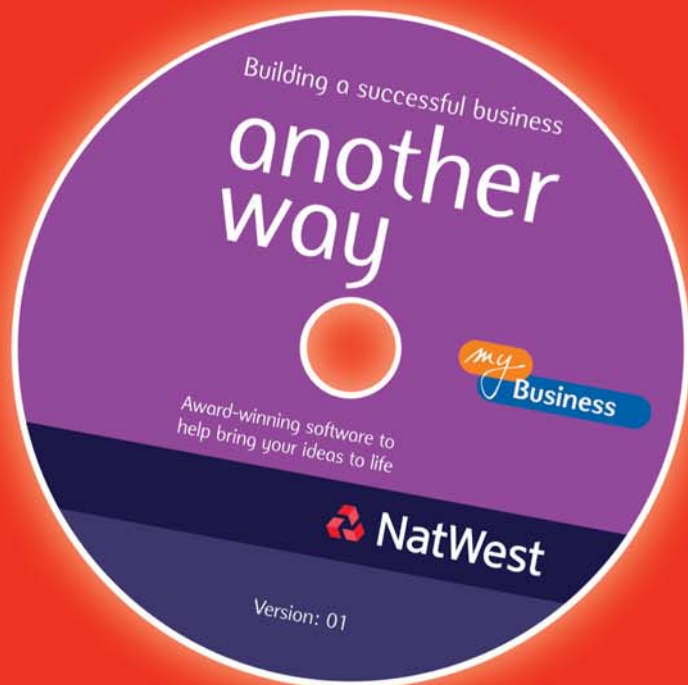
NatWest

Business banking another way



FREE
award-winning
business start-up
software

Useful advice, not
a useless gimmick



 **NatWest**

Call 0800 028 2677 or visit natwest.com/business