

MORGAN | BERKELEY

CHARTERED CERTIFIED ACCOUNTANTS



Case Studies

Dedicated to your success

How we overcame a hair-raising challenge to make a beauty salon chain profitable again

A hair and beauty business employed 20 staff across four prestigious London locations. Despite steady turnover and revenue, cash flow problems meant that the company struggled to meet its VAT and PAYE responsibilities. A third party advised them to seek a pre-packaged insolvency to restructure without causing interruption to business.

Excessive staff costs and insufficient management information

When Morgan Berkeley were introduced to the company by their bankers we discovered that staff costs were far in excess of industry norms. Yet the management information was so poor that the managing director didn't even know.

Making the business work more efficiently

Our solution was to create greater transparency and accountability across the new hair and beauty company. We explored the business options and helped manage a careful and skilful reduction in staff members. Equally importantly, we helped ensure the remaining staff worked more efficiently. For example, staff attendances were coordinated with appointments to ensure more customers could be seen at busy times.

A rosy future beckons

Ten months later and the business is transformed. The managing director has upgraded salons, implemented new working practices and created marketing initiatives to drive business in quiet times. By making business decisions based on accurate management information, the company has returned to profitability.

Another satisfied customer

The company was delighted with us.

"Morgan Berkeley's team quickly identified areas of poor performance, enabling us to address potential problems right away," they said.

They are confident in our problem-solving capabilities to keep their business running smoothly too. "There's always someone available at the end of the phone if there's a concern."

How we took a struggling travel company to where they wanted to go

A niche-sector travel company established in 1997 with a staff of 12 was struggling to produce management accounts on time. Despite a healthy turnover, cash flow was poor.

The company bookkeeper was not a qualified accountant and management accounts provided little useful information.

Tear up the paperwork

Morgan Berkeley were invited by the managing director to improve their systems.

We immediately identified the company's reliance on outdated and inefficient paper-based systems, which took up valuable staff time to implement. We also identified a potential non-compliance problem with Tour Operator Margin Systems (TOMS) for calculation of VAT.

New IT, new bookkeeper, new improved business

We recommended a new database to replace paper-based systems as well as a new accounting process. We also briefed the managing director to recruit a suitable bookkeeper to manage day-to-day accounts with the latest IT.

The way forward is clear now

Accurate management accounts made it clear that the ratio of employer costs to turnover was excessive. By achieving efficiency gains across the company, it was able to reduce staff to an affordable level.

Now the books are in good order and company accounts are finalised within four months of year end, giving the business time to address any inefficiencies it may find.

A happy ending

Was the company impressed by Morgan Berkeley? Undoubtedly.

"It's the extra support, beyond what you'd normally expect" that they found particularly valuable. We've helped them "operate more efficiently" and also "saved time and reduced costs". Not a bad return for our expert advice.

Up to speed and up to date

The company is well capitalised and now fully compliant with TOMS regulations.

Following our advice the managing director has also introduced a new database system, fully integrated with their accounting and customer information systems – making operations more efficient and customer processing more effective. A full-time web developer has also been employed, enabling them to compete more effectively online.

We helped an engineering company build a better business

A leading sustainability and engineering practice with an impressive portfolio of blue-chip clients suffered from inadequate management information. Despite employing a large accountancy practice its credit control was weak, resulting in poor cash flow.

High costs and poor management information

When they turned to Morgan Berkeley for help, we discovered that their operating costs were too high for a depressed marketplace.

Poor quality management information meant that the company's financial structure was out of alignment with the requirements of the business.

A drop in salaries raised the company's fortunes

Because of the severity of the situation we recommended a substantial pay cut for everyone. Overcoming significant legal issues, we rationalised and consolidated the company's structure, taking over responsibility for the entire accountancy function, implementing new accounting disciplines and introducing effective credit control and account management.

Moving up in the world

Now the company is more efficient and quicker to adapt to a rapidly changing marketplace. It has effective credit control in place so cash flow has significantly improved. Business has revived so dramatically that they are successfully competing internationally, exploring the more buoyant markets of South America and the Far East.

Today the business leaves its financial management to us, leaving its directors free to concentrate on their core operations.

Commercially sound advice

The company is delighted they chose us to resolve their problems.

"We are particularly pleased with the commercial advice we receive from Morgan Berkeley. Difficulties are swiftly overcome and our joint efforts have improved our cash flow significantly."

Print and be damned – how we rescued a printing company that broke the law

A family-owned printing company with a wide range of clients from local businesses to leading brand names underwent voluntary liquidation.

Unfortunately for them, when they resumed trading under a new company structure they kept their old trading identity. That meant, according to the Department of Trade and Industry, that they had broken the law.

An apparently lost cause

The company could have paid the costs of a solicitor but instead they turned to us for help. After sourcing expert legal advice we recommended that their case was indefensible and they shouldn't waste time and money in court.

The company went into liquidation again.

However, with Morgan Berkeley on their side all was not lost.

A quick solution was essential

Because the company still had its premises, its equipment and its customers, we felt the business could be saved if we acted quickly.

First we negotiated the fine and damages with the authorities. Then we established a new trading identity that turned the old company into a new business fast enough to retain existing loyal customers.

We oversaw the management accounts and payroll and, because of our insights and experience of the printing industry, we were able to identify and avoid areas where costs were too high.

A solid future, even after liquidation

Now the company has returned to profitability. It's also more stable and allows for effective succession planning too. We support the directors on an ongoing basis, working alongside them to provide strategic and financial advice as well as business consultancy.

Another flattering testimonial

"Morgan Berkeley have helped us enormously over the years," explains their managing director.

"They've saved us significant time and resources and their monthly review of management accounts has proven invaluable."

A professional cleaning company that needed help to clean up its own act

A professional cleaning company with 350 staff that provides services to upmarket restaurants and prestigious hotels had a good reputation, numerous customers and a strong turnover.

On the face of it business seemed good with a busy workload and steady revenue. However, the company was in crisis and had been struggling to pay VAT and PAYE for some time, and turned to us for help.

We met the managing director and took an in-depth look at their company and business model.

Staff's hourly costs outweighed the company's hourly charges

We discovered that their profit margins weren't as good as they thought they were.

Although their hourly charge-out rate seemed significantly higher per hour than their employees' hourly pay, they had failed to account for the cost of employer's National Insurance contributions and their staff's annual holiday. When these costs were factored in, it became apparent that employees' pay was higher than the company's charges – they were losing money every time they were called out.

Big debts to HMRC

To compound the problem, the company's long-term pricing agreements with customers meant that restructuring pricing in line with costs would be a lengthy process. Even worse, the business had serious debts with HMRC and was still operating at a loss.

A new and improved pricing structure

Our solution was to create a new corporate identity with a fresh and clearly defined pricing structure for new business. Simultaneously we liaised with HMRC to negotiate outstanding debt and agree a payment plan. We also arranged factoring finance to help the business through the transition period from unprofitable to profitable operations.

Three years later the company has paid off HMRC, has a strong turnover and is operating on healthy margins.

A pleasure working with us

The company's managing director appreciates our efforts.

He says: "Morgan Berkeley helped my business survive when we were in a difficult financial crisis. I'm proud to have them as my accountants."

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