



## We're happy with our age - as we reach 40!



Nigel Whittle

They say that 40 is a significant birthday and as Managing Partner and longest serving employee it certainly feels that way to me. The archive is growing, we've set up a facebook site for our alumni and at every technical course you attend you meet someone who has at some time or other been employed by Lambert Chapman.

It certainly has moved on from the business I telephoned to enquire about work listed in the yellow pages under the name of Alliot Peirson & Co, a national practice that had absorbed Michael L Lambert & Co, in New London Road Chelmsford.

The name Lambert Chapman first appeared in 1979 when Mike Lambert disillusioned with weighty central overheads demerged and introduced Lloyd Chapman into the partnership. We added a Braintree office in 1986 (for which I took responsibility to run) and then merged with Gale Brown Stichbury in Maldon to allow Bill Stichbury to retire in the mid 1990's. Our current business now sees the majority of our production in Braintree, but with the satellite office in Maldon still available to meet the needs of our clients in that area.

We are able to provide all the services that you would expect from an established firm of Chartered Accountants with the back up of the UK200Group for those unusual one off or international requests.

We also have Active HR Limited that provides HR support to our client base.

Our Practice has strength in depth with each Partner having an excellent manager and qualified senior staff. We have specialists who are able to cover your requirements in corporate finance, the tax of trusts, income and capital gains tax planning, forensic report writing, financial mentoring and payroll. Our audit teams are renowned by the UK200Group reviewers for their attention to detail and disclosure accuracy and our approach to the specialist audit such as Charities have provided us with a stream of extra work.

We are also recognised for our knowledge of certain industries. Construction, Recruitment, Haulage, Financial Services, Printing and Care Homes come to mind as well as Agriculture where a specialist team continue to grow the client numbers. We aim to provide more than just a year end service to clients with Partners acting as a sounding board on financial decisions and our staff preparing and reviewing management information for presentation to directors and third parties.

Our Partners, who are always listed on the front page of Snapshots, are well known in the local business community and as a firm we will continue to try and support local trade and business organisations as well as support the community in which our staff live and work.

If you know of a business contact who may benefit from our support please let us know by contacting me in the first instance on 01376 326266.



Nigel Whittle FCA CF  
Braintree



Nick Forsyth FCA  
Braintree



Chris Harman CTA  
Braintree



Paul Short BA(Hons) FCA CF  
Braintree



Lisa Potter FCCA  
Braintree



John Smith-Daye FCA  
Maldon

### MALDON

Custom House, 112b High Street,  
Maldon, Essex CM9 5ET  
Tel 01621 852191 Fax 01621 852176  
E-Mail: maldon@lambert-chapman.co.uk

### BRAINTREE

3 Warners Mill, Silks Way,  
Braintree, Essex CM7 3GB  
Tel 01376 326266 Fax 01376 552221  
E-Mail: braintree@lambert-chapman.co.uk

### WEBSITES

[www.lambert-chapman.co.uk](http://www.lambert-chapman.co.uk)  
<http://lambertchapman.wordpress.com>  
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# Strengthening the balance sheet

A few years ago we posted an article on the importance of companies filing as strong a balance sheet as possible and the attention we, at Lambert Chapman LLP, pay to this.



Paul Short

Since then we have experienced the Credit Crunch and the collapse of many financial institutions.

Credit has tightened as Banks seek to reinvigorate their own balance sheets in line with tougher regulation. Some have to pay back public debt. There is also a return to sensible lending. Despite the clamour from Government and other parties, the Banks are only lending to businesses with robust propositions.

Now there is a much sharper focus on the presentation of the Balance Sheet. We have seen credit withdrawn immediately if a company is late in filing accounts. This may not just be the statutory nine month deadline for filing at Companies House. If a company is later than it normally is, then this can send alarm bells ringing. A company which habitually goes to the wire in terms of its filing will find that judgement is made as to the strength of its corporate governance.

We have also seen lenders expressing concern about any drop in reserves and interpreting this as a decline in the wellbeing of the business. This is in spite of the fact that one might expect this to be inevitable in a recession. In some cases the drop in reserves has taken place because of the decision to accelerate dividends for tax planning purposes. Lenders should appreciate this, if the point is put to them. It is proving more of a problem with Building Societies, where staff tend to be less experienced in interpreting company accounts.

Bankers are also advising me that there is a strong Balance Sheet focus when lending propositions are processed. It seems to me that we need to look at the following when putting together a proposition:

1. Consider the revaluation of fixed asset categories, particularly land and freehold property, if there is any on the Balance Sheet.
2. The introduction of the additional investment allowance, permitting write off in the first year (even if it will be restricted to the first

£25,000 of capital spend in due course) offers an opportunity. Where expenditure is incurred which involves both an element of repair and enhancement and reallocation is a matter of judgement, allocation to capital on the Balance Sheet increases profitability, but without any extra tax liability.

3. Certain items of expenditure (eg research and development, website development costs) might also be capitalised.
4. Depreciation rates should be reviewed to ensure that they are not too robust.
5. Accountancy pronouncements in the last few years have sought to restrict the ability to defer recognition of profits. Accordingly, stock and work in progress valuations are coming out higher at the year end to recognise an element of profit already generated, in the case of certain sectors.
6. It remains crucial to plan declaration of dividends. Generally, these should be declared after accounts have been approved and finalised. In that case the accounts needs only disclose those dividends actually paid in the year. There does not need to be any reference to a future dividend which might deplete the reserves.  
  
Ensure that any financial statements sent to the Bank have a commentary with them to assist the Bank in their interpretation.
7. If substantial amounts are owed to Directors, these are normally repayable on demand and disclosed with current liabilities. It may be worth transferring an element to amounts payable more than one year from the balance sheet date. In this case the net current asset ratio can be strengthened. The Director should sign to confirm that repayment will not be sought for at least a year.
8. Temporary conversion of loan capital to share capital may be a valid tactic post Companies Act 2006.
9. Interest incurred on finance incurred for the production of an asset may be added to that asset to the extent that it relates to the production of that asset. Whilst there is the prospect of 100% allowances on Capex (albeit limited) this should be borne in mind.



Nigel Whittle

The Institute of Chartered Accountants in England and Wales has recently set up a Valuation

Group to enhance the specialist skills required for the valuation of companies.

I have joined this specialist group and attended a series of workshops bringing together various valuation experts who have been sharing their wisdom.

It was reported that Corporate Finance activity and valuation work had reduced significantly over the past 12 months. However, transactions are now increasing as directors look to the future considering their options and whether they wish to exit from the company, merge with a similar complimentary business or acquire another company to boost their own fortunes.

Funding deals has not been easy and the major banks, whilst intent on improving their balance sheets are being selective to only support deals they consider will increase shareholder value and are sustainable from projected cash flows. There has been a greater percentage of equity funded deals and those where the vendor supplies some of the debt to ensure the transaction completes. Nevertheless, funding is becoming available again but at lower multiples than were previously available. As a generalisation, maximum debt multiples of 3 to 3½ times EBITDA are available with the debt being repayable over a 5 year period. This should be sustainable for the acquiring company if the right deal can be found.

If you need assistance in either buying, selling or merging your company and would like to discuss the alternatives available to you, please call Nigel Whittle (01376 326266) for an initial discussion.



## National Minimum Wage rates to rise again

The government has announced the National Minimum Wage (NMW) rates that will apply from 1 October 2010. In addition to the rate increases detailed below there are two further related changes. The first change expands the age range for the main rate, from workers aged 22 and over to workers aged 21 and over.

The second change concerns the introduction of a minimum wage for certain apprentices. It will apply to apprentices under 19 years old and those apprentices aged 19 and over who are in the first year of their apprenticeship.

From 1 October 2010, such apprentices will be entitled to a minimum wage of £2.50 per hour. All other apprentices are entitled to the NMW rate appropriate for their age.

The new rates are as follows:

- £5.93 for workers aged 21 and over (currently £5.80 for workers aged 22 and over)
- £4.92 for workers aged 18 - 20 (currently £4.83 for workers aged 18-21)
- £3.64 for workers (excluding apprentices) aged 16 and 17 (currently £3.57).

## Fit or a fiddle



### What is the fit note?

The Statement of Fitness for Work, or 'fit note', is a new Medical Statement that doctors now issue from 6 April

2010, which is relevant to all employers throughout the UK.

It replaces the old 'sick note' and aims to provide more useful information on how an employee's condition affects what they do and how they might be able to return to work.

A doctor will give a 'may be fit for work' statement if they think that the employee's health condition may allow them to work - as long as the employer gives them the appropriate support.

### What's different about the new fit note?

In the past, doctors have either said that 'you should refrain from work' or 'you need not refrain from work'. With the fit note the doctor will be able to advise their patient if they are 'not fit for work' or a new option - 'may be fit for work taking account of the following advice'.

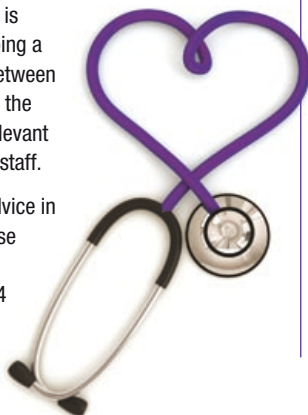
The idea is that it may help employers make simple and practical adjustments to help employees return to work and reduce unnecessary sickness absence, as the doctor should be able to suggest ways of helping an employee get back to work. This might mean discussing:

- a phased return to work
- altered hours
- amended duties
- workplace adaptations.

### Why the change?

For many employees work means a lot more than just their salary. Studies show that work is good for health and prolonged sickness absence can produce its own set of problems, such as isolation and loss of confidence. Therefore, many employers recognise that reducing levels of long-term ill health is about developing a partnership between the individual, the doctor, and relevant management staff.

If you need advice in this area please contact David Kemp on 0844 9216811.



## Buy now save later?

Capital allowances have changed significantly over the last few years and there are more changes in store. This could understandably cause confusion about what allowances are available and when is the best time to buy new assets. However, as the changes have been announced quite far in advance, this could also be viewed as an opportunity to ensure tax savings are maximised on capital expenditure purchases over the next couple of years.

The changes which come into effect on 6 April 2012 for the self-employed and 1 April 2012 for companies are as follows:

- Annual Investment Allowance (AIA) is an allowance which can be offset against plant and machinery acquisitions (excluding cars). The AIA increased from April 2010 to £100,000 from £50,000, but will decrease significantly to just £25,000.
- General plant and machinery currently qualifies for a writing down allowance (WDA) of 20% but this rate is dropping by 2% to 18%.
- At the same time the WDA for the special rate pool, which includes integral features, will also decrease by 2% from 10% to 8%.

### Impact for the self employed

The decrease will affect the self employed (sole traders and partnerships) from 6 April 2012. The impact of the reduction will vary depending on an individual's tax and national insurance position. The WDA reduction is only likely to have a significant tax impact where a business has a significant general or special rate pool balance brought forward from earlier years. The reduction in the AIA from 6 April 2012 is clearly more significant in terms of maximising tax savings and minimising tax liabilities.

### Example

Megan is currently a 40% higher rate tax payer (assume higher rate tax remains at 40%) and as her trading profits are in excess of the NIC upper earnings limit she will only have to pay the additional NIC rate. This increases by 1% to 2% from 6 April 2011 along with other NIC rates.

She is planning a major refurbishment to her trading premises within the next two years which will include a new central heating and air conditioning system. These are classed as integral features for capital allowances. The cost of this is likely to be in the region of £60,000.

### Expenditure before 5 April 2012

The AIA is available on these integral features and the cost of £60,000 is within the £100,000 limit for a 12 month period - 100% tax relief applies in 2011/12, saving tax and NIC of £25,200 (£60,000 x 42%).

### Expenditure after 5 April 2012

Only £25,000 of the £60,000 expenditure is covered by the AIA leaving £35,000 eligible for WDA. However, as the expenditure is on integral features, it only qualifies at the special pool rate of 8% from 6 April 2012. In 2012/13 the annual allowance will therefore only be £2,800, giving an overall capital allowance entitlement of £27,800. Further WDA at 8% on a reducing balance will be available in future years.

### What does this mean in tax savings?

It means that the immediate tax saving in 2012/13 is only £11,676 compared to £25,200 if the expenditure had been incurred in the previous tax year - a difference of £13,524!

### What about Companies?

The changes come into operation for companies on 1 April 2012. However, the potential impact of reduced capital allowances and therefore lower tax relief will be balanced partly/fully by the fact that lower corporation (CT) tax rates apply on a company's total taxable profits from 1 April 2011 onwards.

For a company which qualifies to be charged at the small profits rate there is a decrease in the CT rate from 21% to 20% for accounting periods (or part thereof) from 1 April 2011. The main company rate is also to decrease by 1% on that date but is to continue to decrease in stages by a further 1% each year on 1 April until it reaches 24%. This means that the main rate should be 26% from 1 April 2012 when the capital allowance reductions start to impact.

### Example

A company which makes accounts to 31 March intends to spend £140,000 on two new lorries for its haulage business within the next two years.

### Purchase in the year to 31 March 2012

The AIA will provide 100% tax relief on the first £100,000 and then 20% WDA will also be available on the excess in the year of purchase. This amounts to £108,000 of capital allowance entitlement.

### Purchase in the year to 31 March 2013

The AIA will only provide 100% relief on £25,000 of the cost, leaving £115,000 eligible for WDA. However the WDA reduction means that the annual allowance is only 18% giving an immediate allowance of £20,700 and a total allowance entitlement for the period of £45,700.

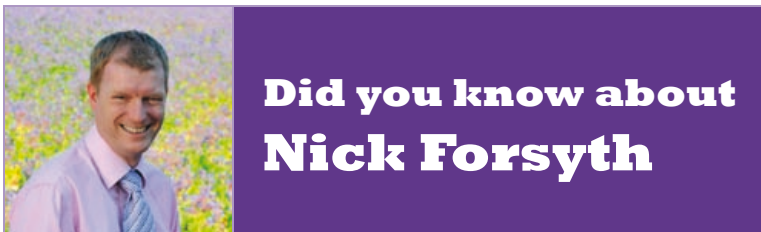
### Tax impact

This depends on the CT rate of the company. For the purpose of this example the following assumption has been made that either the company is subject to the small profits rate of 20% (both years) or the main rate of 27% for the year to 31 March 2012 and 26% for the period to 31 March 2013. See table below.

	Small profits rate		Main rate	
	To 31/03/12	To 31/03/13	To 31/03/12	To 31/03/13
CT Rate	20%	20%	27%	26%
Capital allowances	£108000	£45700	£108000	£45700
Tax relief	£21600	£9140	£29160	£11882
<b>Additional liability</b>		<b>£12460</b>		<b>£17278</b>

### Conclusion

These changes could lead to significant tax increases for those who are unaware. Irrespective of your trading style please contact us for a more detailed review if significant plant and machinery purchases are on the agenda for your business to keep your tax bills to a minimum.



## Did you know about Nick Forsyth

<b>Who are you</b>	Nick Forsyth
<b>When (year of birth)</b>	1962
<b>Where (place)</b>	William Julien Courtauld Hospital Braintree
<b>Qualifications</b>	Chartered Accountant (Fellow)
<b>Work done for LC LLP</b>	Accounting and Auditing including Management Accounting and Management support.
<b>MY LIFE outside hobbies likes etc.</b>	Stoke By Nayland Golf Club, Tottenham Hotspur, Family Travel, McNamaras Band, Steve Howe, GOATS, Boycs, Jon Anderson, Woodhall Spa, La Villa Strangiato, Royal St Georges/Royal Cinque Ports, Alex, Geddy and Neil, Angus Young, Macca, Sports events with Dad and Lad, SF Giants and 49ers.
<b>1st JOB</b>	Chorister St Peters in the Fields Church Braintree aged 8, first solo "Lead Me Lord" at wedding aged 9.
<b>Favourite Genre</b>	Probably Music. I attended my first concert the Yes 10 <sup>th</sup> anniversary shows at Wembley Arena in October 1978 and have seen nearly all the top bands since then.
<b>Favourite Film</b>	Probably a baseball film as it is one sport that transfers to film well. Field of Dreams is a good one.
<b>Favourite TV show (ever)</b>	Something funny – the 2nd, 3rd and 4th Blackadder series were special; particularly the way they finished the last episode of series 4.
<b>Most listened to Music/album</b>	Tough question. Going for The One by Yes must be in the top 3, The Beatles Abbey Road, Powerage by AC/DC, Wish You Were Here or side 3 of The Wall by Pink Floyd, Selling England by the Pound by Genesis.
<b>Favourite Book</b>	I always remember fondly The Sunbird by Wilbur Smith and often think I should read it again.
<b>Daily Journal</b>	Probably bbc.co.uk
<b>Favourite Place</b>	Again a difficult choice between Keswick, San Francisco, London, Paris.
<b>Great Meal</b>	Steak and Kidney pie
<b>Tipple</b>	Always been a pint of Bitter man.
<b>Favourite decade</b>	1970's
<b>Biggest Fear</b>	Deep water, heights, needles and sharp blades.
<b>Ideal day away from the Office</b>	Probably on the golf course but enjoy attending sports or music events.

## Football Sponsorship

Lambert Chapman LLP have sponsored Great Notley Strikers and Clacton Athletic for this season. Great Notley play at the Discovery Centre Braintree in the Blackwater and Dengie League and Clacton Athletic Girls are captained by John Smith-Daye's daughter and travel throughout Essex in their league. Both sides are playing against stronger opposition this season and we shall be following them to see how they get on.



## Exam Successes



We had two staff members who passed their final exams in this summer's sittings. Lee Sutton passed the Association of Chartered Certified Accountants exams and Halim Rashid the Institute of Chartered Accountants in England and Wales exams. Lee is pictured with Paul Short. We also had other staff who passed intermediate exams and our congratulations go to all students who were successful.

## Charity Quiz raises £825

The Managers organised a second charity quiz which was held at Bocking United Services Club in aid of Essex Dementia Care. 11 teams took part and helped raise £825 for the charity. The winners, who retained their trophy, were Holmes & Hills and they look forward to going for a hat trick next time around. Our thanks go to the staff members who helped organise the event: Sean Wiegand, Duncan Forsyth, Mike Carabine, Richard Hamilton, Louise Main, Sarah Brewer, Sue Sibthorpe, Sue Stedman and Sarah Phillips.



If you would like to be informed of the next quiz please let us know. A full report is published on our website and photographs from the evening are on our Flickr site.

## Sponsored Events



Lambert Chapman LLP have been pleased to be involved as co-sponsors for the Farleigh Hospice Sunrise Walk and Lad 'n' Dads Dash at the Discovery Centre near Braintree and Strings in the Park at Braintree Public Gardens.

The walk allowed our ladies to enter a team and Nigel, Nick and Sean Wiegand to act as marshalls along the route. Whilst the number of walkers and level of sponsorship was down on the previous year as a consequence of the economic situation the event was an enjoyable one and of assistance in raising money for an excellent cause. A write up of the event is on our website along with photos on Flickr.

The Strings event saw money raised for the upkeep of Braintree Public Gardens and thankfully the donation of a marquee from Don Cutmore proved invaluable as the weather during the afternoon was heavy rain which unfortunately returned during the final encore. Nevertheless a reasonable crowd were in attendance making it a good event.

## Snapshots Quiz Winner



The Summer quiz was won by Peter Searle who successfully identified the second world war planes to secure him a flight in a light aircraft over Essex. Peter is pictured with Nick Forsyth receiving his tickets.

The Autumn quiz offers two tickets to Yes Prime Minister which has just opened at the Gielgud Theatre. To download your quiz sheets go to our website and click the Yes Prime Minister picture.

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