

Chartered Accountants
and Registered Auditors



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Lambert Chapman

SNAPSHOTS

A U T U M N 2 0 0 7



Melinda Atkinson LLB FCA
Chelmsford



John Smith-Daye FCA
Maldon



Nigel Whittle FCA CF
Braintree



Nick Forsyth FCA
Braintree



Chris Harman CTA
Braintree



Paul Short BA FCA CF
Braintree



Lisa Potter FCCA
Braintree



**Our vast
experience at
a reasonable
cost.....**

Within the three offices of Lambert Chapman, in Braintree, Chelmsford & Maldon, there is a vast wealth of experience waiting to be tapped into by those unfortunate people who are not yet clients of the firm. After all, anyone who is not a client must fall into the category of being a "PNC" (Potential New Client)!

As you will note from the individual profiles on our website (www.lambert-chapman.co.uk), our personnel hail from a diverse and interesting set of backgrounds. Some trained with national firms, some with independents, some have worked in industry and commerce, some have even worked for the "Other Side" (currently going by the name of HM Revenue & Customs).

Although we are able to draw on all of this experience internally, there are occasions when we like to obtain a second opinion, or perhaps there is a particular technical point that needs clarification. In these circumstances, we are able to contact our colleagues in like-minded firms within the UK200 Group, of which we are a member.

Then there are geographical considerations – not so important as they used to be though. Our offices are concentrated within North & Mid Essex, and it is only natural that the majority of our clients fall within those areas. However, with modern communication methods

being as they are, we have numerous clients from much further afield – Thailand, America, France to name but a few – and many others scattered throughout the country. A significant proportion of UK clients that are not within our natural geographical area have stayed with us after moving home, or have been recommended to us by other clients as they like the way that we operate.



John Smith-Daye

A particular favourite source of new clients is the big city itself, London. Our offices are close enough for meetings to be cost-effective, either at the client's premises or our own, and yet we can offer the cost benefits of a lower overhead base. This is reflected in our charges, which can be seen to be extremely competitive when compared with City-based practices.

Contact details are given below and we look forward to hearing from any of you if you feel that you would like to talk further about the possibilities of working together.

MALDON

Custom House, 112b High Street,
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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

CHELMSFORD

Kensal House, 77 Springfield Road,
Chelmsford, Essex CM2 6JG
Tel 01245 216800 Fax 01245 216816
E-Mail: chelmsford@lambert-chapman.co.uk

Payroll Department - Tel 01376 529070 Fax 01376 529025 E-Mail: payroll@lambert-chapman.co.uk

Audit services

For a few years now, small companies have been exempted from the requirement to have a statutory audit of their accounts, as long as their turnover is £5.6 million or less and gross assets on the balance sheet come to £2.8 million or less.



Paul Short

Note that both criteria have to be met for the exemption. Thus property companies can sometimes require an audit, even though their turnover is far below the turnover threshold. There have also been occasions when I have advised against a revaluation of property because it could unwittingly create the need for an audit of the accounts. There has been debate about whether these thresholds will be increased although; post Enron, there has been some nervousness about this.

With a huge reduction in the number of companies requiring an audit, the consequence has been that there is much less audit work for smaller firms of accountants. Many firms are now not seeking to maintain their audit registrations because the cost of the regulation and compliance is not justified by the number of audits they still have. There will always be a requirement for audit in some cases where there is a special interest or the sector demands it, eg. charities, solicitors and financial services. These cases demand specialist audit skills and firms are concluding that the level of profit does not justify the technical input.

Because of our size and our client base, Lambert Chapman still has a large portfolio of audit clients. Lisa Potter is head of our audit services and we have three other partners who are qualified to control audits. Supporting Lisa and her colleagues is a core of experienced audit managers and supporting staff. An audit manager like Richard Hamilton will spend the bulk of his time on audits. This is to be compared with some firms who only have a handful of audits over the course of the year.

At Lambert Chapman we are looking to extend and expand our audit services. We are happy to enter into arrangements with firms where we will provide the statutory audit where they have relinquished their audit registrations but still wish to act for their larger clients. An essential term in the arrangement will be that Lambert Chapman would be precluded from taking over the client.

Sometimes bankers and financiers will require an audit, even if there is no statutory obligation, in order to reassure themselves of a company's status. The board may have an accountant acting for them whose advice they greatly value but the accountant is not a registered auditor. Lambert Chapman will be happy to come in and simply undertake the audit. The incumbent accountant may choose to use his own staff to undertake field work under the direction of a Lambert Chapman manager if that is more comfortable.

More and more companies, who require an audit, will have less choice amongst local firms of accountants. At Lambert Chapman, we will offer a viable, competitive and realistic option to engaging a national player.

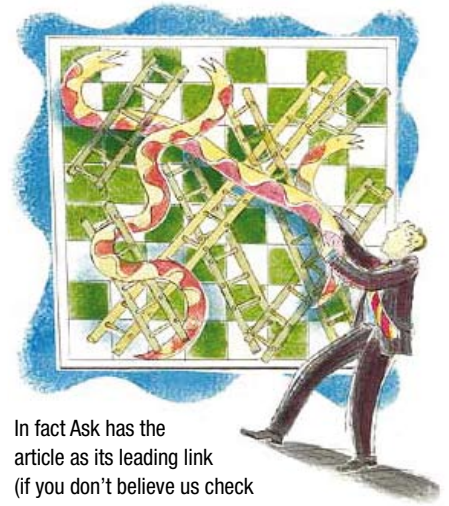
If you may have a use for this audit service, please contact Lisa Potter on 01376 326266.

Lambert Chapman update their website - take a look

You may have noticed that our website has undergone a makeover during the summer months. The purpose of the changes was to make important items, such as seminars, already on the site more visible to you the visitor and also to add items such as recruitment opportunities which previously have not been available. We have also increased details on our most important commodity – Our People – and provided you with the option of Google maps with directions to our doors from your own postcode.

As part of upgrading our website we have looked into improving our analysis of the site statistics as we were struggling to make sense of the previous results we were receiving. A great deal of this focused upon articles and search entry requests to the site. Two of these in particular we found strange, but we now have a better understanding of them!

The first centres upon an article we produced in March 2005 on the subject of tenants in common. Our previous statistics indicated that this was being visited on average at least once a day from its publication to date. We thought it might be someone having the article as their home page but we have discovered, following our upgrade, that these are individual visitors from all jurisdictions, mainly United Kingdom but also United States and one from Jamaica, searching the term on the search engines Ask, Google and Yahoo.



In fact Ask has the article as its leading link (if you don't believe us check it out) so we made amendments to the article added an email option and immediately received technical request!

The second article is on Non Corporate distributions and features a spectacled John Smith-Daye in his pre eye laser treatment days in a technical article produced by the Maldon office.

If you have been a regular visitor to the site you will know that we post more home produced articles than the majority of our competitors put together. We hope that you find the changes helpful or to keep up to date with the firm's news. If you have any feedback on this or Snapshots please complete the fax back form which will enter you in a prize draw.

Taking on workers new to the UK

Taking on any new worker can be a time-consuming process with the number of forms that need to be completed. When your prospective employee is from overseas there is even more to do and it is essential to follow correct procedures. You could be fined up to £5,000 for employing someone who does not have permission to work in the UK.

First ask to see an original form of ID that proves the nationality of the applicant, such as a

passport, or residence permit. Protect yourself by checking the expiry date, any time limit stamps and endorsements. Do the photo and date of birth match the worker? Take a clear photocopy and double-check the full name on the ID against that shown on other documents presented.

Next check that the individual has permission to work in the UK. Home Office guidance can help with this. While most EU nationals can work freely in

the UK, those from the Eastern European countries that joined the EU most recently need to register to work with the Home Office. Keep a copy of your worker's application form until the Home Office has supplied a registration certificate. If the worker's application is rejected you must not continue to employ that person. In addition, workers from Bulgaria and Romania must hold a valid accession worker authorisation document before they can start work.

New EU cash declaration rules

From 15 June 2007 a new European Union (EU) law on travellers declaring cash came into effect. It has been introduced to help combat money laundering.

People who are travelling from the UK to a non EU country, or entering the UK from a non EU country, and are carrying the equivalent of 10,000 Euros or more will be required to declare this to HMRC at the place of their departure from, or arrival in, the UK. However, there will still be no declaration required for people travelling between the UK and other EU countries.

The 10,000 Euros limit includes currency notes and coins, bankers' drafts and cheques of any kind, including travellers' cheques. There is a penalty of up to £5,000 for failing to comply with the obligation

to declare or providing incorrect or incomplete information.

The declaration form will be available at ports and airports and will be produced with a carbon backed top copy so that travellers can keep a duplicate, which HMRC officers may ask them to produce as evidence of having made a declaration. The form will also be downloadable from www.hmrc.gov.uk

Dave Humphries, Head of Criminal and Enforcement Policy at HMRC said: "The declaration system is one means of providing information to assist HMRC in targeting movements of criminal cash more effectively."

Capital allowances on company cars

For many years the tax system has restricted the annual tax write-off to £3,000 per car for 'expensive' business cars, defined as costing more than £12,000. However, the government is intending to abolish the current restrictions and introduce new rules that will be easier for businesses to administer and will also have a beneficial environmental impact.

The proposals, which are still at the consultation stages, are that:

- the existing 100% first year allowances for cars with CO₂ emissions up to 120g/km be retained
- the general plant and machinery capital allowances pool would be used for cars with CO₂ emissions between 121 and 165g/km
- a new car pool would be introduced with a lower percentage tax write off known as a writing down allowance (WDA), than the general plant and machinery pool for other cars.

As a consequence there would no longer need to be a specific distinction between cars costing more or less than £12,000. This means the £3,000 per annum cap on the WDA for a car would disappear.

In April 2008, the annual WDA available for the general pool would be 20% of the unrelieved expenditure in the pool. So for an executive car costing £40,000 and being sold after three years

for £15,000 the allowances position currently and as proposed will be as follows:

	Now £	Proposed £
Cost	40,000	40,000
Allowances Year 1	3,000	8,000
Year 2	3,000	6,400
Year 3	3,000	5,120
Disposal Proceeds	15,000	15,000
Allowances Year 4	16,000	
Allowances Year 4 and afterwards		5,480

Whilst the £5,480 of allowances might be speeded up by claiming use of the short life asset provisions this would reintroduce the administration burden that the Government are trying to remove! The purpose of these provisions is to encourage the purchase of more environmentally friendly vehicles for business purposes but I remain unconvinced at the present time that this will happen in the board room of SME's up and down the Country.

It is likely that when the new Capital Allowance rules are introduced that similar changes will also be made to leasing arrangements which also have the £12,000 "expensive car" provisions. Management of the tax provisions for the acquisition and finance of business assets are vital to maximise allowances each year and your local Lambert Chapman contact will be able to guide you on efficient implementation. If you wish to discuss this article please contact me on 01376 326266 or at nick.forsyth@lambert-chapman.co.uk



Nick Forsyth

I've seen the light!



John Smith-Daye

Since joining Lambert Chapman in 1994, I have undergone a number of facial transformations in an attempt to ensure that anyone who is looking for me gets confused – I've had a beard, no beard, glasses, contact lenses, in fact any disguise that I can find has been used to try to avoid people! (Not as drastic as Nick Forsyth, though, who has been known to wear a wig and green tights, but that's another story.....)

This time, I've decided to make a permanent change. After much deliberation, and a good deal of encouragement from clients, family and friends, I underwent laser treatment to my eyes, to correct short-sightedness and astigmatism. Quick, and painless (apart from the hit to the wallet), the procedure was carried out at the Ultralase Clinic in Chelmsford and was over and done with in less than two hours – the actual laser bit was only about ten minutes.

At all stages, I was kept informed of the potential perils and pitfalls, none of which came to fruition. I waited for a period of discomfort after the local anaesthetic wore off – but I was very lucky, there was nothing. At the 24 hour check the next day, I could read the eye chart two lines smaller than 20/20 vision, and I was back driving after I had been given the all clear at that appointment.

I have had a few weeks of aftercare, putting in drops and keeping water away from my eyes, but overall I am absolutely amazed at the outcome and would thoroughly recommend anyone who has been thinking about it to look into it in more detail – I am more than happy to expand on my experience if requested and if you wish to do so please call me on 01621 852191.

Tax implications of an overdrawn director's account

A key fact to get to grips with when you run your own company is that the company is a separate organisation, and the money is not automatically your money. You cannot draw funds from the company bank account, or ask the company to pay for your personal expenses, without some tax and accounting implications.

When you do take money from the company, that payment has to be treated as:

- salary - which must be taxed under PAYE and is subject to national insurance when it is made available to you; or
- dividends - which must be approved by the members and be paid out of the existing profits of the company; or
- a loan - which does not create an immediate tax charge but may do so if the total amount borrowed exceeds £5,000 at any point in the tax year.

The legal rules covering transactions with directors including loans have historically been complex. The new Companies Act 2006 introduces some much needed simplification into this area. In this article we focus on the tax implications of such transactions, of which there are currently no plans to simplify.

A loan may be made up of cash drawings, but also the value of personal expenses that the company has paid for on your behalf. To avoid these expenses being treated as benefits in kind, or as salary payments, and creating high tax and national insurance charges for both you and the company, the company may 'lend' you the value through your director's account in the company's books, to repay the expense incurred. This loan can quickly lead to an overdrawn director's account.

When you borrow more than £5,000 there will also be a benefit in kind charge on the basis that you have had an interest-free loan. You will be required to pay tax on the interest you should have paid on the loan, which is calculated at 6.25% per annum. This tax charge applies where you borrow more than £5,000 for any period; whether five months or five years.

A loan made to a director should be cleared within nine months of the company's year end. If you do

not do so the company must pay an extra corporation tax charge equivalent to 25% of the amount of the loan. That tax charge will be set-off against the next corporation tax payment due after you finally repay the loan. The tax charge on the company is in addition to the benefit in kind charge on you personally.

The tax issues are complex and we recommend you contact us for advice before extracting funds from your company.



Lambert Chapman win East Anglian Society of Chartered Accountants Golf Day

The East Anglian Society of Chartered Accountants Golf Day was recently held at Hintlesham Golf Club near Ipswich and Nick Forsyth led a team in the event. The team pictured left comprised (left) John Barrick our local Lloyds TSB business manager in Braintree, Don Cutmore who runs a plumbing business in Halstead, Chris Lockett who runs Carpet Connections in Sudbury and Nick. Not only did they end up team winners but Don won the individual event and Chris was second, winning the longest drive along the way.

Nick commented, "I turned up and let the team do the rest. They all play to a good

standard and enjoyed the challenge of pitting wits against each other in a friendly way all afternoon. The course was in good condition and we had a most enjoyable round."

We thank Don, Chris and John for helping us add to our haul of local society cups and hopefully improving Nick's chipping which helped him achieve a birdie on the 18th hole.



UK200Group Cricket Day well received despite Essex collapse!

Having been involved in the inaugural UK200Group Cricket day last year Lambert Chapman were delighted to be asked to repeat it this season and to double our numbers up to 24. This year's game was the day night Pro40 match between the Essex Eagles and Worcestershire Royals.

The box was co hosted between Lambert Chapman and Clydesdale Bank who not only act as a Prime Partner to the UK200Group but are sponsoring Essex County Cricket club again this season.

Essex restricted Worcestershire to a score of 225, but had difficulty chasing the total and ended up 'all out' - 62 runs short. During the interval between innings the now infamous Lambert Chapman quiz was held which saw Rob Smith of the Smith Law Partnership win a bottle of champagne after a tiebreaker. Rob is pictured receiving his bottle from Chris Harman who also won a bat signed by the Essex squad in a raffle.



Our congratulations go to Clare Taylor from our Braintree office following the safe arrival of her daughter Ashleigh who was born in June and weighed in at 8lb 11oz

Hatrick of exam successes

As a training firm we were delighted to receive good news from three of our students who have been successful and achieved qualifications. Richard Thomson was successful in his Institute of Taxation exams and will become a CTA, Jacqui Bird was awarded a distinction when passing her Diploma in Payroll Management and Mark Pearson passed his finals of the Association of Accounting Technicians.

These were joined by other students who passed exams on their way to finals and are pictured with Managing Partner Nigel Whittle who also had good news when the Institute of Chartered Accountants awarded him the Corporate Finance qualification following the submission of a paper setting out his practical experience. We extend our congratulations to them all in these successes.



Seven wicket haul sees Traders home!

When he was asked to play in this year's 136th Tradesmen V Police match the last thing on Mike Carabine's mind was winning the man of the match trophy but at the close of play he was made a joint winner with Rory Ainsley for their performances in a 46 run victory for the Traders. The team who were led by Nick Forsyth included Graham McNeill and Tom Denney from Lambert Chapman.



"I'm retiring now" was heard as we left the field as it can get no better than this for Mike who like most of those playing is an occasional player having never played club cricket.

The weather had been kind and everyone had enjoyed

playing the game in a good spirit and with a figure of approximately £1,600 raised for The Edith Borthwick School a good day had been had by all.

Earlier nearly 80 had sat down to lunch in the Braintree Institute and enjoyed playing Heads and Tails and completing a sports quiz. There is still time to make a donation to this years fund by sending a donation made payable to Tradesmen V Police Charity Cricket Match to Nick Forsyth at Lambert Chapman's Braintree office.

Batting first the traders compiled a strong total of 221 including a magnificent innings of 115 from Rory. In reply the Police were pegged back by some accurate seam bowling before Graham McNeill and local newsagent Kiran Patel took over with spin. Mike then bowled 4 overs for 10 with 1 wicket and was asked to take a break before Nick changed his mind and asked him to continue. His sixth over produced 3 wickets, the seventh 2 and the last a final one to provide figures of 7 for 23 in a fairytale finish to the day.

Quiz winner bags Euros

The Summer quiz was won by David Orrell of Orrell Management Services Limited who was one of many correct entries in a highly popular flag quiz which offered £100 in the currency of your choice. David is pictured receiving his Euros from his Lambert Chapman contact Mike Carabine. All the answers are in a Firm News article on our website. In this edition we have no quiz, instead we ask for feedback on the newsletter, our website and information and correspondence issued by the Firm. If you enter and identify yourself you stand to win £50 from a prize draw. We look forward to your comments.



Mike Lambert

Many readers will remember Mike Lambert our founder and some of his former clients may be aware that Mike unfortunately suffered a serious stroke in late June. Mike is recovering in Colchester General Hospital's Stroke unit and has been making progress in recent weeks. We send our best wishes to him and his family at this most difficult time.