



# Accountability

LB Group your accountable business partners

**LB GROUP**

Chartered Accountants  
Business Advisers  
Chartered Tax Advisers

Spring 2009

## Welcome!

The days may be getting longer, but there's little sign that the dark days of recession are actually coming to a close. Whilst these are still worrying times, life has to go on. So whilst we're all concerned to keep costs under control, squeeze every last drop out of our budgets and market ourselves like crazy, at least we are becoming more familiar with our new business landscape.

If you're feeling the pinch – and, frankly, who isn't – then we've got some useful ideas and tips in this newsletter. Things like how to obtain finance from different sources, streamlining your business practices and – if push comes to shove – what are the alternatives to laying off staff?

Best wishes

**LBGROUP**

## LB SUPPORTS SPEED NETWORKING

In these difficult times, it's important to constantly make new business contacts. We're delighted therefore to be sponsoring a special speed networking event in Ipswich on May 19th.

The event – a joint venture between Ipswich & Suffolk Small Business Association and Felixstowe Chamber of Commerce - is at Glasswells' new home furnishings store on Ranelagh Road, Ipswich. More details from: [www.issba.co.uk](http://www.issba.co.uk).

## LB OPENS IN IPSWICH

After initial forays “north of the border” we are delighted to announce the opening of a new office in Ipswich, adding to existing locations in Colchester, Chelmsford and Stratford.

Director, Chris Annis, who lives and grew up in the Ipswich area, heads up the new venture. “We're growing pretty quickly, having opened an office in Chelmsford just a few years ago, moving into much larger premises in east London and now opening here,” he said.

“We're often seen as different to other accountancy practices, and without even having an office here, we act for a substantial number of Ipswich and Suffolk based clients,” he said. “We're looking forward to getting involved in the local business community and working with other professionals and businesses in the area.”



## HOLIDAY ENTITLEMENT INCREASES

From 1st April all workers, including part-timers and most agency and freelancers, have rights to 5.6 weeks per year (increased from 4.8) pro-rata for part-time staff. This equates to 28 paid days per year including bank holidays (or time in lieu).

For practical purposes, the “working week” is a usual hourly pattern of work. Advising of holiday entitlement is a legal requirement and should be provided as part of a contract within two months of employment starting.



John Jardine

## ALTERNATIVE FUNDING OPTIONS IN THE CREDIT CRUNCH

Unsurprisingly, given the chilly economic climate, many people are having problems with finance providers and have concerns about renewal of facilities or raising new money.

Our corporate consultant, John Jardine, has extensive experience in commercial banking and is ideally placed to help with re-financing, re-banking or improving your banking and finance situations. As alternatives to traditional funding he suggests:

### VENTURE CAPITAL TRUSTS (VCTS)

Normally, these would provide equity for a substantial return and would require board representation. But we have two VCTs keen to invest on a stand-alone basis with just quarterly progress reports.

They do not insist on equity participation and may provide senior debt (instead of bank finance) with a small portion of mezzanine finance. Whilst this needs to be secured there is reasonable flexibility (for instance, intellectual property as security). They offer interest-only loans for periods of up to five years. We can attract investment of £500k plus for traditional funding costs.

### MEZZANINE FINANCE

Several mezzanine finance providers have significant funds to invest. When credit was easily acquired there was little appetite from borrowers for these, but that has now changed. As credit dried up these funds are increasingly popular and still available. Whilst more expensive than bank funding, this can be a viable alternative where a bank is unwilling to fund an entire project.

### SPECIALIST BRIDGING FINANCE

At present, property owners and developers often need short term funding but cannot find bridging finance. We have links with a provider who will lend 55 percent of property value for a maximum of 10 months. Loans of up to £700k are available. Again, costs can be comparatively high, but this option is worth consideration given the capital that can be released.

Please contact John Jardine on 07725 990605 or your normal LB Group contact for more information.

## ANNUAL INVESTMENT ALLOWANCE – A STING IN THE TAIL

From 1 April 2008, the Annual Investment Allowance (AIA) replaces first year allowances on the purchase of plant and machinery for capital allowances purposes.

But, says Eleanor Harvey at our Colchester office, there could be a sting in the tail. "The AIA allows 100% of the first £50,000 invested in new plant and machinery to be claimed in the capital allowances computation, which is shown as a deduction against profits when calculating the tax position for the year," she said.

"Although this seems a generous allowance, if the balance of the general pool is small or even zero before disposing of any assets in the future, this could lead to a balancing charge becoming due, which is basically a claw-back of any excess AIA previously given," she added.

For example: Mr A begins trading in April 2008, spending £25,000 on a van, shelving and a till. They are all classed as plant and machinery and so the full cost is covered by the AIA, taxable profits being reduced by the whole £25,000.

In May 2009, he sells his van for £10,000. He then has no balance brought forward in his general pool to offset these proceeds against and is left with a balancing charge of £10,000. Taxable profits are therefore increased by £10,000!

## HMRC OFFERS TIME TO PAY

In the 2008 Pre Budget Report, HMRC announced plans to support smaller businesses struggling to pay business taxes (everything from Corporation Tax and Business Income Tax to VAT and PAYE/National Insurance) on time. Any company can access this benefit if it is in genuine difficulty, unable to pay its tax on time or is likely to be able to pay, if given more time.

HMRC promises flexibility and to agree arrangements – and even grant extensions - on case-by-case basis. We can handle most of the admin on your behalf, although HMRC may contact you for further information.

Do ensure though that you make arrangements in advance of payment becoming due.

# TAX TIMETABLE

6th April	New Tax Year begins.
19th April	Deadline for the payment of any outstanding 2008-09 PAYE and Class 1 NIC. (Interest will be charged on any payments received after this date).
19th May	Last day for filing 2008-09 PAYE Returns P14, P35, P38 and P38A.
31st May	Last day for the issue of Forms P60 to employees.
5th July	Last date for HMRC to receive the Tax Credit claim to enable a full years credit to be given for 2009/10 (they will only backdate a claim by three months).
6th July	Last day for employers to send Forms P9D and P11D to Revenue and issue copies to employees.
19th July	Payment of Class 1A NIC due on relevant benefits provided to employees for 2008/09.
31st July	Income Tax - second payment on account due for 2008/09 Tax and Class 4 NIC liability. Second £100 fine for late submission of 2007/08 tax returns + another 5% surcharge for any 2007/08 tax that remains.
31st Oct	Deadline for manual submission of 2008/09 Tax Return and if HMRC is to calculate the tax due, or if an employee/pensioner wishes their balancing payment to be collected by next year's tax code.

## TASTY OPTIONS FOR SERPS PENSION HOLDERS



Harry Hayden

Approximately 10 million people, those who opted out of State Second Pension 2 (previously known as SERPS) can now choose how £100 billion of their savings can be invested, thanks to a recent change in the law.

These funds are comprised of "protected rights funds". If you have held a protected rights policy since 1988 it could be worth more than £50,000, so you need to ensure it works hard!

Henry Hayden of LB Wealth Management said, "As one example, if you switch these funds to a SIPP you could exercise more control of your investments and have the flexibility of income drawdown too. Low cost SIPP providers offer access to a wide range of funds with good discounts on initial charges, stocks and shares and other investments such as bonds, but will not offer commercial property or other sophisticated assets."

**Contact Henry Hayden in our Chelmsford office if you would like to discuss options**

## DOWNSIZING ISN'T ALWAYS THE RIGHT ANSWER

With recession biting, the old adage about staff being the most valuable resource in a business is well and truly put to the test.

Ground rules are changing fast. Thoughts inevitably turn to redundancy and downsizing. But experienced HR professionals advise this should be a last resort if you need to cut costs.

Apart from the obvious impact on the people directly affected - and morale of others - you could live to regret your decision. Many SME's mistakenly use redundancy as a way of dealing with a poor performer, but this is the surest way to make the dismissal unfair, they warn. Unfair dismissal is the area of employment law most likely to trip up small businesses.

Employers need to fully understand the statutory rights of their staff. Apart from anything else, compensation limits for unfair dismissal can be crippling. From 1st February the basic award rose to £4,700 and the upper limit to an eye-watering £66,200. As one example, Age Discrimination legislation outlaws practices such as "last in, first out" or "first in, last out".

No matter how you approach redundancies, job security fears may infect the workplace. Consider instead alternatives such as negotiating to cut wages. Look too at reducing hours. This option may be welcomed by some workers, particularly those with commitments outside of work or considering retirement.

**Speak to your usual contact initially if you would like to access specialist advice.**

## ARE YOU FIT FOR THE FUTURE?

Never have good business practices been as important: 2009 has all the hallmarks of an exceptional year and for all the wrong reasons. Our experience of hundreds of businesses, large and small, tells us that the fitter your business, the more likely it is to survive tough times.

If you're wondering where to start in your business health check, then consider how you might:

- Improve chances of winning new work and orders
- Dedicate time to marketing
- Streamline internal processes and organisation
- Tighten up on credit control and rein back on expenses
- Improve internal communications
- Set realistic and achievable targets and forecasts
- Investigate ways to minimise tax liabilities for the business and its owners

For more advice, please speak to your usual contact.

## LB GROUP NEWS

### BASKETBALL TEAM NETS A NEW SPONSOR



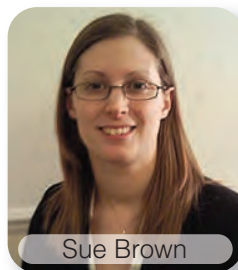
Chris Annis and Nick Newman with team members

We're delighted to have signed up to sponsor Ipswich Tomcats, a young basketball team, which includes several players who represent England at international level. Chris Annis, from our new Ipswich office, said, "We're delighted to be making a contribution to their continued success. With their energy and enthusiasm they are set to achieve great things."

## STAFF NEWS

We're delighted to announce:

- Sue Brown, a 23 year old accountant working for us in Colchester, has added to her tally of successes by completing the last of her ACA (Associate of the Institute of Chartered Accountants in England and Wales) exams. A consistent high flyer, Sue won a first place prize in the Audit and Assurance examination, awarded by the East Anglian Society of Chartered Accountants.
- Three of our team - Mark Middleton, John Jardine and Stuart Sheldrick - have volunteered with the Princes Trust. Their role will be to provide practical business support to 14-30 year olds who have struggled at school, have been in care, are long-term unemployed or have previously been in trouble with the law.



Sue Brown

## About us

Established in the 1960s, LB Group has offices in Colchester, Chelmsford, London and Ipswich. As such, it is well placed to look after the financial affairs of businesses and private individuals across the capital and throughout East Anglia. Experienced teams offer a great breadth and depth of expertise and experience. We pride ourselves on a practical, no-nonsense, jargon-free approach. Most directors of LB Group have worked for international firms of chartered accountants and in commerce and industry. They are widely experienced in finance, far beyond traditional accountants. Directors, individually, take overall charge of each client, working through team managers.

Specialist divisions include: LB Business Solutions, LB Wealth Management, LB Insolvency Services and LB Corporate Finance.

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