

Get to know... James Cowper LLP

In a change to our normal profile of a member of the James Cowper team, in this edition of Perspective we highlight some things you may not know about James Cowper.

How many offices does the firm have?

We have 6 offices now, Southampton and London being the latest additions. Other offices are in Henley, Newbury, Oxford and Reading.

How many people are in the James Cowper team?

We have over 160 people in our team, including 14 partners and 6 directors.

What is your client retention rate?

It's 94%. We place great emphasis on strong client relationships and the quality of service we provide.

Where is James Cowper ranked?

We are ranked by Accountancy Age as the 60th largest accounting firm in the UK, and 28th based on audit fees. The Professional Oversight Board, the body that regulates the

audit market, places the firm in 9th place for FTSE quoted companies.

How is the firm placed from a technical perspective?

Our technical expertise means we can service and win significant audit clients. Our partners sit on the ICAEW main audit committee, the Technical and Practical Audit Committee, an ICAEW working party on quality control and the SME sub group of the Auditing Practices Board.

What tax expertise does the firm have?

We have highly skilled and experienced private client and business tax teams, dealing with individuals, trusts and domestic and international businesses.

Have you won any awards?

We have been shortlisted as mid-tier firm of the year in the prestigious British Accountancy Awards. Our payroll bureau has been named as the "best in the world" by Celergo, one of the world's leading international payroll services providers, in an annual survey of its 192 payroll bureau partners across 115 countries.

What new clients have you won in the last year?

Our new client wins include British Dyslexia Association, Hook Norton Brewery, Harwell Science Park in Oxfordshire and numerous companies where we are providing EIS tax relief advice.

Where do your new clients come from?

The majority come from recommendations from satisfied clients and intermediaries such as bankers and solicitors.

How are you placed internationally?

We are very active members of Kreston International, one of the world's largest networks of accountants and business advisers. We act for a large number of international businesses, including both UK businesses operating internationally and subsidiaries of overseas businesses operating in the UK. As the world gets ever more integrated, international services are a key part of our plans.

For further information please speak to any member of the James Cowper team.

perspective



Strapped for cash?

In recent times the Bank of England has pumped billions into the UK economy through various rounds of quantitative easing in an attempt to improve availability of credit and kick start growth.

There is much debate about the effectiveness of quantitative easing but, in any case, it seems likely (perhaps appropriately so bearing in mind how we find ourselves here in the first place) that there will be no return to the days of easily available credit in the foreseeable future. However, there are a number of simple ways businesses can help themselves to improve cash flow...

Renegotiating payment terms with suppliers may be challenging in the current environment as they too are likely to be facing the same cash flow pressures. However, in times of high competition coupled with increasing cost pressure, some suppliers may well be open to extending payment terms, perhaps in return for signing up to longer term supply agreements, or as a bargaining chip when looking to negotiate a price rise.

The reverse may also work on the sales side. Can you tie your customers into shorter payment terms in return for a price freeze - especially if realistically you have little prospect of passing on cost increases in your market place?

Making small changes to the timing of your invoicing can also have a marked effect. Many businesses raise invoices in batches at the end of the month - take for example a large batch of invoices being raised on 30 September. These invoices will be received

and recorded by customers during the first week of October and will often be recorded in the ledger as October invoices. Now, assuming that your customers only do one payment run a month (as many still do), these September invoices are unlikely to be paid until the end of November - some 60 days on. Moving the monthly invoice run to say the 20th of the month, will often mean your customers recognise and post your invoices in the same month, meaning there is a good chance you will get paid a full month earlier just by raising your invoices a week to ten days earlier. This could have a significant positive impact on cash flows.

Similarly, for "subscription" type services, consider whether your customers might be willing to pay annually or quarterly in advance, rather than monthly. You may need to offer a small discount to achieve this but may be able to achieve significant cash flow advantages, with the added bonus of tying in your customers for longer periods.

Finally, the effect of VAT can be very significant and the timing of both sales and purchases around the VAT quarter end can have a marked effect on the VAT payment and resulting cash flow.

Of course commercial circumstances will vary, and cash flow considerations shouldn't override commercial sense. Nonetheless, in many circumstances a little thought and planning can have a marked positive effect on cash flow without otherwise damaging the business.

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ENTERPRISE ZONES Good News or Good PR?



As part of the strategy for growth announced alongside the 2011 Budget the Chancellor announced that the Government would be designating a number of areas throughout the UK as Enterprise Zones to promote the development of business - primarily technology based businesses. New Enterprise Zones were last seen a while back when they were typically sited in areas of low employment and high deprivation with the aim of creating jobs in these areas by way of employment related grants. One of the problems was that although there were some new jobs created there were many instances of "job-migration", moving work from one area of the country to another.

The new Enterprise Zones are intended specifically to avoid this situation with the criteria for their establishment being their siting in an area or cluster of particular business expertise. The zones were awarded largely as the result of competitive tenders and there are three within James Cowper's territory:

- ? Science Vale in Oxfordshire.
- ? Solent Enterprise Hub at Daedalus Airfield.
- ? London.

The benefits of being a designated Enterprise Zone are reduced business rates by up to £275,000 over 5 years for any business moving to the zone, faster broadband and reduced planning regulations. There have also been hints of more beneficial tax treatment for such businesses but to date nothing has been announced.

Continued on page 2...

A breath of fresh air for B-Loony

James Cowper is set to give B-Loony, the UK's largest balloon printer and supplier of promotional merchandise, a lift following its appointment as the firm's auditors and tax advisers.

The Chesham-based B-Loony provides more than 50 million printed foil and latex balloons to the UK's largest retailers, banks, charities, political parties and for major sporting events, such as the London Marathon. As well as printed balloons the firm also manufactures flags, bunting and banners which it supplied for the Royal Wedding Celebrations.

Andy MacInnes, Commercial Director at B-Loony said: "James Cowper was appointed following a competitive tender. Terry Goodsell and his team were able to demonstrate a good understanding of our business and the challenges we face. The firm really is a breath of fresh air."

B-Loony was established in 1978 and has for the past 30 years focused on the business-to-business markets. In 2001 the firm was the subject of a management buy-out with turnover increasing from £3m to £6m in

2011. B-Loony has launched a new website which is a dedicated online shop for private individuals wishing to purchase balloons, fancy dress and party items.

Terry Goodsell said: "B-Loony is a tremendously successful business. It is always a joy visiting their printing factory - seeing so many balloons just can't help put a smile on your face."

To find out more about B-Loony visit www.b-loony.com or www.perfectpartyuk.com

For further information contact Terry Goodsell on +44(0)118 9590261 or tgoodsell@jamescowper.co.uk



OUTSOURCING GROWTH



James Cowper's outsourcing team has reported significant growth through 2011. New clients have been won across a variety of sectors, with a strong focus on international and technology businesses. There has also been an upsurge in interest in online solutions which allow access to accounting systems anywhere in the world.

A variety of reasons have been noted for the growth in outsourcing - some of these include the quality of information provided and the ability to provide additional resource at short notice with no increase in headcount.

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We are yet to see the full detail, but it appears that all may not be as it seems. The Enterprise Zone of Science Vale, for example, is not the whole of the area from Milton Park to Harwell but rather specific areas within those science park developments. So you could have the situation of an early stage technology company that has been based on Milton Park for a year paying more rates than the company next door that has moved in from elsewhere! If the areas designated as Enterprise Zones are restricted in size there may be little room for many companies to take advantage of the benefits that have been in the headlines.

We wait to see how the policy develops and with our interest in the area will be lobbying to try and ensure real benefit accrues to the companies in our area from the creation of the new Enterprise Zones.

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Pedal power to Paris

James Cowper's head of business restructuring and insolvency Peter Whalley, together with his nephew Alex McCreath and brother-in-law Graeme White, has completed an epic cycle ride from London to Paris, raising more than £6,000 for the Rose Road Association charity.



The Rose Road Association is a charity that helps children in Hampshire who have multiple and complex health needs and their families.

Peter Whalley said: "The 301 mile journey took four days with over 20 hours in the saddle. The three of us are enthusiastic cyclists, but had not embarked on such a long and tough ride before."

The adventure culminated with a procession of 120 riders around the Arc de Triomphe amid a cacophony of car horns, cheers and applause.

Peter concluded: "The three of us have raised a total of £6,322 and money is still arriving. It was an unforgettable experience and we hope our efforts will make a difference to disabled children and their families in Hampshire."

To support Peter with a donation visit www.justgiving.com/teams/alexgraemepeter or visit www.roseroad.org.uk



Does the tax penalty fit the crime?

The last couple of years have seen a significant increase in HM Revenue & Customs (HMRC) powers to raise tax penalties. Some of the changes were made to simplify and modernise the penalty landscape and were long overdue. Others were made to introduce greater fairness into the tax system. As the new penalties for late filing and late payment begin to bed down however, some of the initial assessments seem anything but fair.

PAYE

Take the new penalties for late payment of PAYE which commenced in April 2010. These are determined by the number of late payments in a tax year. The first late payment does not attract a penalty if it is the only late payment in the year. However if there are further defaults, the penalty can increase to 4% of the amount paid late. For an employer with a sizeable headcount, 5 figure penalties could soon arise.

Most would agree that a company which deliberately uses the PAYE system to obtain extended credit should bear some financial cost, but the same penalties would apply to a taxpayer who inadvertently made payments one or two days late during the year. Judging by the accountancy press, this is not an uncommon occurrence.

Other PAYE penalties are around the corner. For example from 6 April 2011, most employers must now file PAYE forms via the internet and HMRC may charge penalties from £100 up to a maximum of £3,000 for late filing.

Self assessment

Individuals also need to be vigilant as the new self assessment season approaches. Many are already aware of the £100 late filing penalty for not filing their return on time, but daily penalties of £10 per day will also now apply for returns that are more than three months late - up to a maximum £900.

This £1,000 penalty would apply irrespective of the size and sophistication of the client, so an elderly person with a tax liability of a few hundred pounds could possibly face



50% TAX RATE

James Cowper has called on the Government to axe the 50% tax rate, arguing that it is causing long-term damage to the country's competitiveness. This follows news that some companies are no longer creating senior posts in the UK and many expats are delaying their return to the UK because of the higher rate tax.

Ian Miles, head of private client tax at James Cowper, said: "The 50% tax rate was introduced as a temporary measure, but it is still with us and with no sign of it being dropped. The longer it remains the more

penalties in excess of their tax bill. If the return is not filed after six months, a 5% tax-gear penalty can be added with another similar amount after 12 months. Unlike previous years, even if the outstanding tax has been settled, a late filing penalty will still apply.

Figures obtained through a freedom of information request have confirmed that 1.5 million individuals were charged self assessment penalties following the 31 January 2011 deadline, presumably resulting in at least £150 million for the Exchequer. With the new regime this figure seems set to rise.

Other taxes

The Construction Industry Scheme has its own penalty regime and VAT penalties are expected to be toughened soon. The trend appears to be one-way.

Reasonable excuse

So what do you do if you are charged a penalty which you think is unfair?

If you believe that you have a reasonable excuse you can appeal against the penalty. HMRC have a very narrow view of what constitutes reasonable excuse, but this is increasingly being tested. The law is still very unclear though. For example a taxpayer was found to have a reasonable excuse because there was misleading information on the HMRC website, whereas a taxpayer who was waiting for a HMRC statement to determine how much tax to pay was found not to have a valid excuse.

So does the penalty fit the crime?

There will undoubtedly be circumstances where, for whatever reason, substantial penalties will apply which are disproportionate to the 'crime'. It is not yet clear whether there will be any leniency in these cases, but many think not.

In summary avoid late filing and the late payment of tax at all costs. Ensure you get information together early and if you are struggling to pay speak to HMRC before the payment deadline, they may give you more time.

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Enhanced Capital Allowance energy scheme



The scheme is part of the Climate Change Levy Programme and is designed to help the UK reach its Kyoto carbon reduction target by encouraging businesses to invest in low carbon, energy saving equipment through the provision of 100% first year allowance on investment in certain energy-saving technologies.

The whole capital cost of installing qualifying processes and equipment can be written off against taxable profit in the period in which the investment is made - providing a cash boost and shortening the payback period.

Businesses that invest in energy-efficient or renewable technologies will also benefit financially and environmentally from energy savings and reduction in the carbon footprint - in turn helping the business comply with associated legislation, for example the Carbon Reduction Commitment (CRC). The ECA covers three primary areas of technology:

- ? Energy-saving plant and machinery
- ? Water conservation plant and machinery
- ? Low carbon vehicles and natural gas and hydrogen refuelling infrastructure.

A list of eligible equipment, and the criteria that the equipment must meet, are published

The cash flow boost for a company of ECA over capital allowances on the same capital expenditure in a plant and machinery pool can be illustrated as follows, assuming a 26% corporation tax rate and a capital tax allowance rate of 20%:

(£)	Year 1	Year 2	Year 3	Year 4	Year 5
Capital spend	20,000				
Capital allowance (CA) @ 20%	4,000	3,200	2,560	2,048	1,638
CA tax benefit	1,040	832	666	532	426
ECA @ 100%	20,000	-	-	-	-
ECA tax benefit	5,200	-	-	-	-

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with the Chancellor viewing this as a £100 million boost to small businesses.

Further changes due to come in from April 2012, but still subject to EU approval, include increases in:

- ? The annual amount that can be raised by a company, from £2 million to £10 million.
- ? The maximum number of employees permitted to an EIS company, from 50 to 250.
- ? The maximum gross assets of an EIS company, from £7 million before EIS investment (and £8 million after) to £15 million.

These changes will significantly increase the size of companies that can benefit from EIS relief. Another intriguing and little heralded

The Enhanced Capital Allowance (ECA) energy scheme is a straightforward way for businesses to improve cash flow through energy savings and accelerated tax relief.

in the Energy Technology List (ETL), which is managed by the Carbon Trust.

Key features of the scheme are:

- ? Any business that submits a UK corporation tax or income tax return can claim, regardless of size, location or industry sector, and the claim is included on the normal tax return.
- ? The scheme provides 100% first-year capital allowances on investments in eligible equipment against taxable profits of the period of investment.
- ? Only spending on new and unused eligible equipment will qualify.
- ? Certain other costs arising as a direct result of installing the qualifying plant and machinery can also be claimed.

James Cowper works with many businesses that operate in the renewable and green sector, from early stage technology businesses developing new technologies to more mature businesses whose use of low energy solutions is an adjunct to their main operation.

We understand the issues such businesses face and can help them with appropriate financial assistance and support whether through tax opportunities, sourcing grants or finding investors.

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perspective

Academies to convert or not to convert?



Following the implementation of the Academies Act 2010 in July 2010, the academies programme has expanded rapidly. There are now over 1,000 new converter academies open, with over 500 of

these having been opened in the three months to 1 October 2011.

The benefits of converting to an academy are attractive and have been widely publicised by the Department for Education (DfE). However, there are a number of significant financial, legal and governance implications of converting, which governors, head teachers, business managers and bursars need to consider carefully in order to manage a smooth transition to academy status.

Some of the key issues to consider include:

- ? The pension arrangements for employees, including any deficit that may be inherited by the new academy and the impact on future contribution levels by the academy.
- ? The transfer of the land and buildings used by the new academy from the Local Authority.
- ? The level of expected funding under the new structure and the cash flow management implications in the early stages.
- ? The setting up of an accounting system, including ensuring relevant compliance with new reporting requirements and establishing robust financial systems and controls.

There are various other issues to consider, such as insurance, negotiating new contracts with suppliers, setting up new banking arrangements and VAT, employment tax and corporation tax compliance.

It is imperative that any school looking to convert to academy status looks closely at all the issues, but as ever, taking sound advice at an early stage is vital in ensuring the new academy gets off to a running start.

More details of the key considerations of becoming an academy, as well as an update on some of the latest developments affecting academies, are set out in our Academy Update newsletter.

For further information or a copy of the Academy Update contact Andy Jones on +44(0)1865 200500 or ajones@jamescowper.co.uk, Mike Farwell on +44(0)1635 35255 or mfarwell@jamescowper.co.uk or Adrian Rann on +44(0)2380 221222 or arann@jamescowper.co.uk

You and your family: Planning for the future



People are living longer, but whilst medicine is solving many physical problems, this is not so with mental illness. It is therefore likely that more of us than ever will lose mental capacity, so thought

must be given to how you and your affairs will be managed in the future. Here is some food for thought:

- ? Loss of mental capacity will mean that you cannot make a new will. This can leave your family with difficult issues to manage.
- ? If you lose capacity, a power of attorney is essential if your health and affairs are to be managed effectively. An attorney does not however have power to carry out significant inheritance tax (IHT) planning without reference to the court, a process which many families will find unattractive.
- ? Most would prefer not to lose 40% of their asset value in IHT to the Treasury. For many this can only be avoided by planning seven years (or often more) before death.
- ? The earlier IHT planning is carried out, the greater the chance of success. This is especially so at a time when many asset values are low.
- ? Dying without a will (intestacy), or leaving an out-of-date will, results in assets not passing as you wish.
- ? Seeking to put things right after death can be a cause for major family rift.
- ? A major IHT review is expected, and it is difficult to see how any new rules will be as favourable.
- ? Both a loss of capacity and death are likely to have a significant impact if you run a business. Plans need to be put in place to ensure a smooth transition and all those involved need to know how things will operate.

In short, act now to ensure that:

- ? You are properly looked after if you lose capacity.
- ? Your assets pass as you wish.
- ? You take advantage of the current favourable IHT rules.
- ? Your business, and therefore your family, is protected.

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Major Changes to Pensions



Pensions are rarely out of the news - with life expectancy up and pension funding down, the Government has decided it's time to act.

Around 86% of employers make no contribution to employee pension schemes. However, this is unlikely to continue and all employers will have to contribute to every 'eligible' employee's pension by October 2016.

Employers will need to provide a Qualifying Work Place Pension Scheme (QWPS), where minimum contribution to the scheme will be 8% of the employee's qualifying earnings (currently between £5,715 and £38,185 per annum). At least 3% of this must be paid by the employer with the employees paying the difference.

The new rules will be phased in between October 2012 and October 2016. During this period the employer contribution for all employers will be 1% of qualifying earnings, with the employee contributing 1%. After October 2016 the employer contribution increases to 2% and the employees to 3%. One year later the full contributions of 3% employer and 5% employee will apply.

Phasing in of New Rules

Period	Type of Business
Oct 2012-Oct 2013	800 to 120,000 employees
Oct 2013-Jul 2014	50 to 799 employees
Jul 2014-Feb 2016	<50 employees
Feb 2016-Oct 2016	Businesses started after Oct 2012

Companies with existing schemes may find that their scheme meets the new requirements, but many will not.

Key Facts

- ? New employees must be auto-enrolled within 90 days of starting work.
- ? Eligible employees are above 22 but under state retirement age.
- ? Employees can ask to opt out after one month's contributions have been taken. These will then be refunded.
- ? Employers are responsible for auto-enrolment and collection of contributions.
- ? Employers will receive fines if they do not comply or are seen to use recruitment practices to get around rules.
- ? Employers can organize their own schemes or go through the National Employment Savings Trust (NEST), where there is an upper contribution limit of £3,600 a year.
- ? The Department for Work & Pensions will remind employers 12-18 months before they need to comply.

In conclusion, these are some of the biggest changes to pensions for over 50 years. All employers need to make sure that they not only comply but are ready for the increased administrative burden and cost. Now is the time to review your current offering or implement a new compliant one. On a positive note, if an employer introduces their own pension arrangement, similar to but ahead of NEST, this is likely to generate goodwill with the workforce compared to the position where they only do it because they have to.

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EIS - Good News for Investors & SMEs



What does a company that operates adventure golf courses have in common with another company that is researching in cutting edge nuclear fusion? Or a company which buys and sells

racehorses with one that plans to acquire and exploit oil wells in Texas?

The answer is that each company has taken advice from James Cowper in the recent past and so benefited from the availability of Enterprise Investment Scheme (EIS) tax relief for its investors. Tax reliefs include income tax relief on funds invested, capital gains tax exemption on exit, and further income tax relief if investments realise a loss.

Although EIS has been around since 1994, recent changes in the rules make investment even more tax efficient, and there are further beneficial changes in the pipeline. Any small or medium trading company that is looking to raise equity finance needs to consider EIS as, without tax relief, securing investment becomes that much harder. And, as the Texan oil wells demonstrate, it is now possible to raise EIS finance for businesses carried on mainly outside the UK.

In his March 2011 Budget, George Osborne announced changes to EIS. From April 2011 the rate of income tax relief on qualifying investments would increase from 20% to 30%, and from April 2012 an individual can invest up to £1 million annually, up from £500,000. Because EIS is treated as State Aid by the European Union, these changes were conditional on EU approval. Early in October 2011, the EU gave the green light,

Continued on page 7...



Audit of Accounting Estimates

Over the years there have been many changes to the standards that govern auditing and the auditing profession. The latest auditing standards were published in 2009 and are effective for audits of financial statements for periods ending on or after 15 December 2010.

Most companies will not notice too much difference in the way that an audit is performed. However there are a number of differences and areas where additional work is required by the auditor. One area where most clients may notice a difference is in how accounting estimates are audited.

Most accounts contain a mixture of balances. Some are certain (i.e. they are either right or wrong) whereas others cannot be measured precisely but can only be estimated. For example bank and cash will be a certain figure at the year end date and it is easy to tell whether it is correct, whereas a stock or bad debt provision requires estimation. This leads to an increase in the risk of the balance being materially incorrect.

For the first time there is an auditing standard to cover this area (ISA 540 UK & Ireland). This requires the auditor, amongst other things, to understand and document:

- ? How management identifies transactions and conditions which give rise to the need for accounting estimates.
- ? Internal controls operating in this area.
- ? How management makes accounting estimates and the accounting policies applied in their calculation.
- ? The risk of material misstatement as a result of the uncertainty arising from the estimate.

The auditor is required to:

- ? Design procedures to check whether the calculation of estimates is appropriate.
- ? Review and make judgements on the decisions made by management and consider whether there is any possible management bias.

Of course auditors would have done many, if not all, of these things before the introduction of the new standards. However there is an increased requirement to discuss this area with clients, understand the policies applied and document conclusions reached.

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perspective



TRADE SALE OR PRIVATE EQUITY?

Many business owners may not be considering exiting their business just yet, but it is good to put some thinking in place as to what you want to achieve in

the future. Nick Rogers, head of corporate finance at James Cowper, outlines some of the options available.

There are a number of different exit strategies available to business owners, ranging from a straightforward winding up of the business through to an initial public offering on a stock market. Two exit routes for successful businesses are a trade sale or investment from private equity investors.

Trade Sale

A trade sale occurs when you sell the business (or parts of the business) to another company operating in, or allied to, your field. It can often be the best way to get a good price, although you will need to make sure that you have a business which is attractive to potential buyers.

A strategic buyer within your sector may pay more than a private equity investor - they will usually understand the market and be able to generate synergies and economies of scale to significantly enhance business value.

Two of the key ways of increasing the value of your own business are ensuring you have a strong management team and reducing any over-reliance on particular customers and suppliers.

Tough trade sale negotiations can distract your focus from running the business, and you need to be prepared to remain as a consultant - sometimes with little influence over the business you may have spent a lifetime developing. Despite current tough market conditions, there are buyers looking for acquisition opportunities at the right price.

Private Equity

Significant investment in businesses is often made by firms of private equity investors. Typically they will structure a deal to take a stake in the business and inject funds to provide working capital. Exits for existing business owners may come through a sale of some of their shares, or a longer-term sale following financial and management input from the investors.

Private equity investors will usually only invest in outstanding businesses with strong management and significant growth potential. Firms with clear management succession plans, a strong market position and a broad spectrum of customers are likely to be of most interest.

It pays to get good professional advice so that you approach the right private equity firms in the right way. There are huge amounts of uninvested private equity capital available, but investors are particular about what they will invest in.

Whatever your business, it always pays to know what your exit options are.

For further information contact Nick Rogers on +44(0)118 9590261 or nrogers@jamescowper.co.uk

James Cowper walk two and half times around the world

Staff at James Cowper have walked the equivalent of two and a half times around the world, taking part in the annual Global Corporate Challenge.

112 members of staff split into 16 teams. All agreed to wear a pedometer and measure the number of steps they took every day, raising much needed funds for charity, increasing fitness levels and reducing carbon footprints.

Competing against 130,000 people from 1,000 organisations in 83 different countries, James Cowper's staff managed to clock up a massive 160,946,834 steps - equal to walking 64,005 miles or two and half times around the world, burning 6,489,376 calories, the equivalent to eating 13,520 large burgers, 39,999 glasses of red wine and 25,875 pieces of cake!

Janet Thompson, a member of the firm's private client team in Henley-on-Thames who inspired staff to take part, said: "This has been a fantastic achievement - everyone who took part is just amazed at how many steps we clocked up. We competed against 200

organisations worldwide in our category and came 11th. Our total CO₂ abatement was 3,863kgs."

The Global Corporate Challenge raises funds for the Foundation for Chronic Disease Prevention, The Footprint Initiative in Uganda and the Global Children's Challenge.

Steve Clarke, James Cowper's Managing Partner, said: "For every member of staff taking part a local school child has been given the opportunity to participate in the Global Children's Challenge. In Reading, Newbury and Oxford 572 children are now measuring every step they take. We wish them every success."





Risk management - are you looking ahead?

Businesses owners and directors are all aware that managing risk is an essential element of running their business. A misconception however is that most risks are predictable. At present, we are seeing loosely connected and reasonably predictable economies transformed into a complex web of relationships, where the global impact of local events is being felt almost simultaneously.

In such a climate, the past is not a good indication of the future and making decisions based on what has happened in the past is a dangerous practice. Many businesses are now turning to scenario planning as a more sophisticated way of managing risk, and to make sense of what has been happening and what may happen as a result of shocks to the worldwide economy.

Scenario planning was used by Royal Dutch Shell in 1970's to plan for the future in the context of uncertain oil prices. As they

thought about what could happen in the future in detail, they were much better prepared to take advantage of opportunities and respond to threats than their competitors.

There are numerous different methodologies for building scenario plans, but they all tend to follow a similar basic approach. The first stage is to identify the key issue(s) or decision(s) around your business. This could be "how is mobile technology going to impact my products and customer base in the future?"

The next stage involves identifying the key indicators that are likely to impact the future scenarios. Caution is required here, as finding the right set of indicators is vital in ensuring the scenarios are relevant to your business. Make sure they are based on accurate information about your business and the industry you operate in.

The final stage involves drawing up the scenarios about the issues identified and 'testing' these, so they can then be used as a context for making strategic decisions. At this stage though, it's not about having an

endless number of scenarios - they need to be relevant and based on their importance and likelihood of actually happening.

After this, it's then not a case of just checking on the scenarios annually, as things in the current environment change much more frequently than this. Ideally, you should have regular scenario updates or boosters, whether as part of regular board or management meetings, so as to assess where you are against the businesses strategies and risk plans.

Scenario planning is not just a strategic planning tool - it can be applied to operational planning, budgeting and forecasting in order to evaluate their effectiveness under various different assumptions. Whilst it may not be appropriate for all types of businesses, using effective scenario planning may be the only way to make sure that your strategy is robust enough to cope with alternative future realities.

For further information contact Andy Jones on +44(0)1865 200500 or ajones@jamescowper.co.uk



Handling redundancies properly

perspective

Sadly in difficult economic times redundancies are sometimes necessary. Sandra Mundy, a partner in James Cowper's business restructuring and insolvency team,

believes that employees should be treated fairly and with respect. Redundancy often means more than a loss of income. It also can impact on people's self-worth, dignity and family life. Handling redundancies sensitively can also be cost effective by eliminating or reducing expensive unfair dismissal claims.

Where there are 20+ proposed redundancies at one place within a 90-day period, there is a collective redundancy situation. The employer needs to consult individually with employees and must also seek to consult with either recognised trade unions or employee representatives. The purpose of the consultation is to give an opportunity to engage with employees to explore the reasons for the proposed redundancies,

ways of avoiding redundancies and limiting the effects on employees.

Consultation should start in good time. Where there are 20-99 potential redundancies it should last for at least 30 days and where it is 100+ potential redundancies it should last 90 days.

The employer also needs to inform the Department for Business Innovation and Skills (BIS) of the potential redundancies. One of the reasons for telling BIS is that it has resources in Job Centre Plus which can help employees in their search for new employment and can give details of how to claim benefits etc.

If an employer fails to consult effectively, an employment tribunal may make protective awards. Failures can arise where:

- ? Consultation doesn't start early enough.
- ? It ends too early.
- ? The process is not conducted properly.

A tribunal can award up to 90 days pay per employee. The tribunal will take into consideration the extent of the employer's

failure and the circumstances of the company. If a number of employees bring successful claims the cost can be considerable. For companies which are already struggling financially this could result in a formal insolvency. For companies that are already in a formal insolvency then it may reduce any distribution to creditors.

Employers should not face redundancy consultations alone and we would urge that legal advice be obtained. James Cowper's business restructuring and insolvency team is experienced in the practical implications of redundancy consultations, having implemented programmes in both solvent and insolvent situations. Most recently we have helped a firm consult with over 700 people, mobilizing a team on 24 hours notice to undertake consultations throughout England and Wales.

It is important that redundancies are handled sensitively from a human perspective and properly from a financial perspective.

For further information contact Sandra Mundy on +44(0)2380 221222 or smundy@jamescowper.co.uk



Are we interested in the Future of VAT?

The end of May 2011 saw the closure of a consultation by the EU Commission on the future of VAT. James Cowper conducted an electronic survey across its client and contact base to see whether there was an interest in the future of the tax and it appears, from the response received, that there is! Using the data for from the survey, James Cowper was able to submit a response to the EU Commission on behalf of the Kreston International network.

The consultation document was the usual weighty tome and James Cowper VAT Manager, Ruth Corkin, distilled the areas that the EU Commission were particularly interested in to just 12 questions. The response was interesting to say the least.

Many respondents felt that there was too much red tape and that the tax was overly complicated. Those that dealt with customers in other EU member states felt that overall the system as it currently stands worked reasonably well. However the main gripes were that getting VAT back in other EU member states was too difficult and the reverse charge was too complicated. The majority of respondents felt that transactions should be taxed in the member state of destination.

When it came to the question of alternative methods of collecting the tax and monitoring business records, four alternatives were put forward (the four favoured by the EU Commission) and the most popular method was that of a central database, where electronic copies of the transactions would be sent to the central tax database. Interestingly, this is the least favoured method

by the EU Commission, which favoured a split collection of the money between the tax going straight to the authorities and the net going to the supplier, coupled with a secure data room where the authorities could access individual business records!

The EU would like to see a single rate of VAT across the EU, but implementing this is likely to take some time even if an agreement is reached. This would entail removing the current exemptions and zero/reduced rates of VAT across the EU. The UK in particular would be a loser in this scheme and until recently, it looked unlikely that the UK Government would give any ground. However, the Government's position may have softened somewhat - we shall wait and see!

As a result of the submission, Ruth Corkin was shortlisted for the prestigious "Rising Star" award at the annual Indirect Tax Awards.

For further information contact Ruth Corkin on +44(0)1865 200500 or rcorkin@jamescowper.co.uk

New trainees at James Cowper

James Cowper has recently appointed nine new trainees on a three year training programme. They were chosen following a tough recruitment process that saw more than 500 students applying for training contracts.

HR Manager Anne Millar said: "We offer an excellent training programme that combines both on-the-job and college tuition. The trainees will work across all of the firm's six offices and will have early opportunities to work with clients and on client sites together with their more senior and qualified colleagues."



Back row: Tim Spillane, Neil McShane, Lauren Jobling, Paul Cooper, Liam Angell
Front row: Jess Curley, Henry Law, Alex Hood, Sup Roda



Modified payroll

What's it all about?

If you have foreign employees coming to the UK, you will probably need to account for Pay As You Earn (PAYE) on their employment income. It is difficult to meet the strict PAYE deadlines because these employees may receive salary in their home country, so getting information on a timely basis is tricky. Foreign employees also often receive assistance in the form of benefits in kind/expenses so gathering this information can cause headaches for the UK payroll manager.

HM Revenue & Customs (HMRC) recognises these practical difficulties and introduced a "modified payroll" scheme to assist UK employers. As long as the overseas employees are being paid their salary on a guaranteed net basis - otherwise known as "tax equalisation", you can request a modified payroll scheme by submitting an Appendix 6 application to HMRC.

Procedure

Once HMRC has agreed the application, the payroll manager starts the tax year with a "best estimate" of each employee's earnings. This is based on annual salary, cash allowances and non-cash benefits.

HMRC expects there to be some form of in-year review so that actual figures, once obtained, can be compared to the estimated figures and any material changes are put through payroll between December and the

tax year end. Bonuses and share-related transactions have to form part of this review.

Advantages of a modified scheme

Inputting estimates whilst actual figures are gathered from various sources gives the UK employer breathing space without fear of understating PAYE. Allowing items such as pension contributions and overseas workday relief directly through payroll can result in significant cash-flow advantages for the employer.

HMRC recognises that in complex cases there will be under and overpayments of PAYE - as long as the rules of the modified scheme are followed, HMRC will not charge interest on any PAYE underpayments: what's more, they override payments on account resulting from significant tax underpayments, saving even more administration.

The deadline for reporting benefits and expenses via forms P11D (or a substitute format under the modified scheme) is extended from 6 July following the tax year to 31 January, giving plenty of time to get the correct information and analysis of the tax position before completing the forms.

Although national insurance (NIC) is not included as part of the standard modified agreement, you can apply for a similar relaxation of the normal PAYE rules on NIC separately if NIC is in point.

For further information contact Sarah Robert on +44(0)118 9590261 or srobert@jamescowper.co.uk

James Cowper short-listed for awards



James Cowper has been shortlisted at the 2011 British Accountancy Awards for the Mid-Tier Firm of the Year Award. It has also been shortlisted for the Tax Award of the Year for National, Mid-Tier and Independent Firms.

Steve Clarke, Managing Partner at James Cowper, said "We are absolutely thrilled to have been shortlisted in these two categories. They are recognition for all the hard work and effort everyone at James Cowper puts into providing top quality advice to our clients.

For further information please contact Steve Clarke on +44 (0)1865 200500 or sclarke@jamescowper.co.uk

