



# In Touch...

## Be Professional When It Comes To Cash Flow

**As many companies have found out too late, cash flow often fails to get the attention it deserves. In the current economic climate, you must make it a priority.**

When it is done properly, cash flow - the movement of money in and out of a company - is an immediate indicator of business health. It needs to be monitored, planned, protected and controlled and ultimately, put to work for the benefit of you and your business.

Credit control and managing cash flow comes ahead of anything else you do in your business, as without it everything else is just a waste of time and money.

There are four basic areas that need to be looked at for good cash management. Firstly, it is important that cash is not taken for granted. It is not the given outcome of all your hard work and business endeavours and will not magically appear in your bank account.

It needs to be tracked, chased and captured. Don't be afraid to ask and ask again if you are not getting paid. You are in charge of this process and there are always areas to improve. Make it part of your regular routine to monitor progress and identify areas where you could be more efficient.

Secondly, cash control is as important as the primary function of your company. It is no good saying you are too busy fulfilling orders or meeting clients to do the paperwork or chase the bills as in the end it catches up with you - there is no hiding.

Thirdly, to manage cash flow properly, you need information. Areas to consider include:

- Customers' credit worthiness and track record on payments
- Outstanding receipts
- Suppliers' payments terms
- Stock levels
- Short-term cash demands
- Current debt capacity
- Longer-term projections
- Investment options

Fourthly, you need to be professional. Despite the importance of cash flow, businesses don't always behave in a professional manner, with many admitting they never confirm their credit terms in writing with customers. If you are not professional in your dealings with customers you cannot expect them to be professional when payment is due. Success can only be achieved from a sound base and structure and that starts with control of your credit.

Once you get it right, the benefits will soon be obvious - reduced borrowing, less stress and a more dependable supply of cash.

If you need help or advice on managing the cash flow of your business, please contact John Moore on 01622 213747 (Maidstone) or Richard Lim on 01923 771010 (Rickmansworth).



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# Capital Allowances

## on Company Cars Encourage Greener Outlook

From next year, businesses providing cleaner, greener vehicles for their staff will benefit from a change in the rules for claiming Capital Allowances on company cars.

Currently (2008/09), all cars are written down at a rate of 20% per year, with the writing down allowance (WDA) being capped at £3,000 for cars costing over £12,000. Any balancing adjustments on the sale of the vehicle will be added to other profits if a surplus arises when comparing sale proceeds with written down value, or deducted from profits in the case of a deficit.

However, cars purchased after 1st April 2009 will be split into two pools. Those with a CO<sup>2</sup> rating below 160g/km will be written down at a rate of 20% pa, whilst those with a rating above will be written down by 10% pa.. The current £3,000 cap will be scrapped and a first year allowance (expected to be 10%) will be allowed.

Instead of the balancing adjustments, the balance on the pool will continue to be written down. Therefore if a car is sold for less than its written down value, it will be several years before tax relief for the loss is achieved.

For those cars purchased before April 2009 the old rules will remain with a WDA rate of 20% pa. There are also special rules for vehicles with a CO<sup>2</sup> rating of 110g/km that permit a 100% first year allowance to be claimed.

This is best explained by way of an example.

A business intends to buy a car costing £20,000 with two engine options - with CO<sup>2</sup> ratings of 150g/km or 195g/km - and expects to hold the car for three years before selling it on for £10,000. Let's see the allowances that would be obtained under the new and old rules: -

		Old Rules	New rules	
			150 g/km	195g/km
1 <sup>st</sup> year 2008	Cost of Vehicle	£20, 000	£20, 000	£20, 000
	First Year Allowance - 10% (To be advised)	-	£ (2,000)	£ (2,000)
	WDA 20% (Capped at £3,000)	<u>£ (3,000)</u>	-	-
	<b>Written down value c/fwd</b>	<b>£17,000</b>	<b>£18,000</b>	<b>£18,000</b>
2 <sup>nd</sup> year 2009	WDA 20% (Capped) - 20% - 10%	<u>£ (3,000)</u>	<u>£ (3,600)</u>	<u>£ (1,800)</u>
	<b>Written down value c/fwd</b>	<b>£14,000</b>	<b>£14,400</b>	<b>£16,200</b>
3 <sup>rd</sup> year 2010	WDA 20% - 20% - 10%	<u>£ (2,800)</u>	<u>£ (2,880)</u>	<u>£ (1,620)</u>
	<b>Written down value c/fwd</b>	<b>£11,200</b>	<b>£11,520</b>	<b>£14,580</b>
4 <sup>th</sup> year 2011	Sale Proceeds	£(10,000)	£(10,000)	£(10,000)
	Balancing Allowance	<u>£ 1,200</u>	-	-
	Balance remaining	-	£ 1,520	£ 4,580
	WDA 20% - 10%	-	<u>£ (304)</u>	<u>£ (458)</u>
	<b>Written down value C/Fwd and so on...</b>		<b>£ 1,216</b>	<b>£ 4,122</b>

Therefore, the WDAs accrued over four years totals £10,000 under the old rules, and £8,784 and £5,878 respectively under the new rules. Given the impact of the different rates of allowance, the CO<sup>2</sup> emission levels will have a significant impact on the allowances available.

So, businesses considering changing their cars next year can save money while also doing their bit for the environment. However, don't wait until the new tax

year if the car you are purchasing has a CO<sup>2</sup> emissions level above 150g/km as it is more beneficial to do so before the changes take place.

Please contact Steve Carpenter on 01622 213749 or email [steve.carpenter@dsh.co.uk](mailto:steve.carpenter@dsh.co.uk) if you need further information on issues relating to company cars.

## New "amnesty" for offshore savings?

Last year, we brought you notification of an H M Revenue & Customs (HMRC) investigation targeting UK resident taxpayers who held offshore bank accounts.

The Treasury raised £400 million, after taxpayers were offered lenient treatment if they voluntarily disclosed the money they held in offshore accounts operated by five High Street banks - Barclays, HBOS, Lloyds TSB, HSBC and Royal Bank of Scotland. Instead of a potential 100% penalty on the outstanding tax, those who co-operated were rewarded with only a 10% penalty.

In recent months, HMRC has obtained information about other European accounts held by British citizens, sparking speculation that a further opportunity will be made

available to taxpayers to come clean before HMRC launch their formal investigations, forcing foreign and UK institutions to disclose customers' details.

Whilst previously warned taxpayers may not be able to benefit from the potential new deal, anyone who holds accounts or other investments outside the UK that comes forward and voluntarily discloses the information is likely to benefit from reduced penalties.

If you need advice on the information contained in this article, please contact Steve Carpenter on 01622 213749 or email [steve.carpenter@dsh.co.uk](mailto:steve.carpenter@dsh.co.uk).

# Employment Law Changes

## Maternity leave changes



Recent amendments to the law mean that women whose expected week of childbirth began on or after 5<sup>th</sup> October 2008 are entitled to the same contractual benefits during Additional Maternity Leave

as they receive during Ordinary Maternity Leave. Previously, women on maternity leave were only entitled to contractual benefits during the 26-week period of Ordinary Maternity Leave.

The same situation will apply to adoption leave, where Ordinary Adoption Leave benefits will have to be the same during the period of Additional Adoption Leave.

## National minimum wage increases

As of 1st October 2008, the national minimum wage increased to the following rates:

- Workers aged 22 and over - £5.73 per hour
- Workers aged 18-21 - £4.77 per hour
- Workers aged 16-17 - £3.53 per hour

There are also changes to the regime of penalising employers that fail to comply with national minimum wage legislation.

**If you have any questions on this or other areas of employment law, please contact Michèle Whawell, HR Manager on 01622 213702 or at [michele.whawell@dsh.co.uk](mailto:michele.whawell@dsh.co.uk).**

## Biting Back in the Credit Crunch

**Without doubt the recent tougher financial climate has cast a gloomy shadow over some businesses, which are struggling to cope with increased operating costs, an economic downturn and a reduction in available credit. However, Colin Harvey, a director at Castle Corporate Finance, in Tonbridge, believes there are deals to be done for firms looking to expand and grab the right opportunity.**

“The current challenging financial climate is presenting options for businesses that want to seize the initiative and explore expansion opportunities that inevitably occur during any downturn. Although uncertain times ahead are predicted, now is an ideal period for companies to think about broadening their businesses by making acquisitions at keen prices.

Why? Because there are good deals to be done, to mutual benefit. Business owners still need to sell, as personal circumstances may not permit them to defer lifestyle choices, such as retirement. So, the opportunity to be acquired on fair terms may provide the ideal lifeline. For example, the “baby boomers” who set up their businesses in the 70s and 80s and have witnessed low points in the economic cycle before, may have lost their desire to manage their business through another recession.

To make the most of these opportunities, owner managers need to appoint an innovative adviser who can make deals happen. Whether on the buy-side, or the sell-side, their role will be:

- To make sure the business is prepared for a transaction, ensuring it is capable of making a credible commercial case and will not fail in due diligence.
- To find the right deal using a wide range of contacts and research facilities, then negotiate the best terms, to create the best deal for both parties.
- To lead the other professional advisers involved to a successful deal completion.

- To introduce funders that have cash to lend and negotiate best terms.
- To stay involved and assist with an integration process that maximises the potential that has been created.

Taking corporate finance advice should be an early port of call in your decision making process, so you have access to knowledge of current market conditions, and a range of options best suited to the needs of your business.

Your DSH partner will be able to point you in the right direction, and give you a health check for your business, to make sure you are able to keep on the right side of your bank, and to prepare for a possible transaction now, or in the future, to make the most of the credit crunch.”

*Castle Corporate Finance is a specialist team that delivers a bespoke, professional service to businesses across the UK who are considering significant structural change, such as a sale or growth by acquisition. Led by Michael Norrie and Colin Harvey, each with a wide range of experience in advising business owners, Castle Corporate Finance offers an entrepreneurial approach, individually tailored to the needs of each assignment.*



**DSH**

Your Partners in Business

## Moving up the DSH Ladder

DSH are pleased to announce the following promotions:

Kate Curteis and Jolene Upshall have been promoted to Audit & Business Services Managers at our Rickmansworth office. Kate, who is ACCA qualified, and Jolene, who is ACA qualified, will be responsible for managing and providing support to their team members. In addition, they will continue to provide clients with sound business advice and ensure they remain compliant with accounting and audit procedures.

Alison Turner has been promoted to the role of Tax Manager. AAT qualified, and studying towards her STEP (Society of Tax & Estate Practitioners) exams, Alison will be jointly responsible for managing the tax team at the Maidstone office. Alison works closely with clients offering advice on all aspects of taxation work, but has a special interest in inheritance tax and trust issues.

Peter Julier's promotion to Audit Manager now sees him managing and overseeing the work of the audit team from our Maidstone office. Peter, who is ACA qualified, will continue to maintain close contact with clients, with part of his role being to effectively monitor the client's audit process from planning through to review.

## Easy as 1,2,3 for young accountants

A group of DSH students are celebrating after passing their final exams. Carina Gilbert, James Mannering and Mark Butterfield of the Maidstone office, and Stacey Lea of the Rickmansworth office all recently passed their ACA qualification. Carina is one of only two members of staff at DSH, since 1982, to qualify as a Chartered Accountant at the age of 22.

There was also success in the AAT finals with both Rebecca Hobbs (Maidstone) and Aga Niespodziewańska (Rickmansworth) passing their qualification.

## Statutory Legacy

### NEWS ...

#### Increase in statutory legacy limits in intestacy

The Ministry of Justice has announced a big increase in the levels of statutory legacy limits, i.e. the amount that surviving spouses or civil partners are allowed to inherit if their spouse/civil partner dies without leaving a will.

From 1<sup>st</sup> February 2009 the statutory legacy will increase to:

- £250,000 (from £125,000) where there is a surviving spouse or civil partner and children
- £450,000 (from £200,000) where there is a surviving spouse or civil partner and parents or siblings, but no children.

Certain rules will apply to these limits. Whilst the increases are welcomed news, they should not be a substitute for having a proper Will in place to ensure your inheritance is distributed according to your wishes.

Please contact our tax department for more information on Wills and inheritance issues.

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# Six step out for charity

For the past few years, a team from DSH has been taking part in the annual Race for Life at Mote Park, Maidstone and this June was no exception. The team led by Sarah Matthews and consisting of Vicky Woodgate, Pauline Young, Diana Wilkins, Norma King and recent retiree Maggie Mell, completed the 5km course to raise £430 for Cancer Research UK. Sarah added, "It was another enjoyable event for a worthy charity, and some of the team even managed to beat their personal bests from last year!"

## YOU CAN COUNT ON MIKE



We would like to congratulate Mike Startup, a partner at our Maidstone office, who is celebrating 30 years with the firm.

Mike joined DSH as a teenage trainee accountant in August 1978 and has worked his way up through the firm, becoming a partner before the age of 30. In addition to his traditional accounting work, Mike is the firm's specialist in forensic accountancy. His expertise is regularly called on by courts when he is asked to act as an expert witness. He also specialises in working with medical practices.

Chartered accountant Mike also makes time to raise funds for the Rotary Club of Maidstone, sits on the Heart of Kent Hospice charity board as honorary treasurer and acts as the family taxi in the evenings and at weekends for his three children. He has also been known to raise a smile or two dodging the missiles while adjudicating at the annual custard pie throwing championships.

He has seen many changes in his career in accountancy. He said: "In the early days we were using hand-pulled adding machines, with their big, unwieldy handles. That was long before we used computers, which have revolutionised the way accountancy is practised today."

"Having said that, the one constant in business is people and I have been lucky enough to meet some great characters from all walks of life over those 30 years."

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