



MAINTAINING INDEPENDENCE

Finn-Kelcey & Chapman have expanded their range of services by merging with Wilkins Kennedy, another established firm of chartered accountants and business advisers. Wilkins Kennedy have offices around the M25 and in Central London, all offering a local, personal service, backed by the level of specialist advisory services that are needed in today's business environment. Hugh Summerfield and Mike Bushell, of the newly named WK Finn-Kelcey Ltd office in Ashford, explain the background to the merger.

Joining forces with Wilkins Kennedy enables us to retain a high level of independence. We owe much of our success to having been able to move with the times; we have never lost sight of our goal of being able to offer a first class service to businesses wishing to expand and progress. Clients need a personal service - one that is backed by a high level of expertise that can match their changing aspirations. As a firm, we believe that a merger with Wilkins Kennedy allows our clients to achieve the best of both worlds – the continuity of personal relationships and access to top level advice. Areas of expertise which have been extended are:

- Additional specialist tax capabilities
- Corporate finance (lead advisory and transaction support)
- Corporate recovery
- Human resources
- Specialist sector expertise including: Charity and Not-for-Profit, Property and Construction and Insurance sector teams

We are committed to retaining the local teams and personality of the firm and will continue to build on our personal service, practical advice and a value for money approach. We will maintain our current premises in Stourside Place. Businesses in both East



and West Kent will now be able to benefit from a local firm that can offer a "Big Firm" range of innovative services along with accessibility and the trust that comes with a personal relationship.

Both partners and staff of WK Finn-Kelcey look forward to this next chapter in the life of our firm with excitement and the confidence that it is the right step. We do hope that all our clients and friends will join in our optimism for the future and look forward to working with you all.

hugh.summerfield@wilkinskennedy.com



michael.bushell@wilkinskennedy.com



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COMPANIES ACT 2006 – THE LATEST INSTALMENT

The Companies Act 2006 continues its onward march through the statute books. The legislation is intended to streamline company law and is being introduced in stages. 6 April this year saw the introduction of a set of measures which will have significant ramifications for many businesses. Partner Rob Reynolds outlines the recent changes which apply to companies with accounting periods starting on or after 6 April 2008.

COMPANY SECRETARIES

As from 6 April, private limited companies can choose whether or not they wish to have a Company Secretary. If the company decides that it no longer needs one then it will need to inform Companies House via WebFiling or on the 288b form. However, the company will be required to amend its Articles if these contain a specific reference to the company having a Secretary. This can be done by submitting a written or special resolution together with an updated version of the Articles. It should be noted that even though the office of Company Secretary may disappear, the mandatory tasks performed (maintaining up to date registers, preparing and circulating information to members and filing returns and forms at Companies House) will remain. To ensure compliance, Directors will need to perform these tasks themselves or outsource them to a third party such as WK Corporate Services.

ACCOUNTS AND REPORTS

Directors have a new general obligation not to approve accounts unless they give a true and fair view of the financial position of the company. The deadline for private companies to file accounts reduces from ten months after year end to nine months (see following article).

COMPANY'S AUDIT AND LIABILITY OF AUDITORS

Auditors' reports will have to state, in the case of an individual, the name of the auditor and be signed by him or her. Where the auditor is a firm, the report must state the name of the senior statutory auditor, the name of the firm and be signed by the statutory auditor in his or her own name. All signatures must be dated.

Shareholders can agree to limit the extent of liability of company auditors under "limitation liability agreements". There is also a new criminal offence for



auditors of knowingly or recklessly causing an audit report to include a matter which is materially misleading, false or deceptive.

FUTURE INSTALMENTS

At the end of last year the government announced a twelve month delay in the implementation of the parts of the Act originally scheduled to come in to force on 1 October 2008. This was due to concerns raised by Companies House over their readiness to meet new deadlines.

Following consultation there were further revisions to the timetable. Some of those provisions scheduled for this October will remain and some will be put back until October 2009. In particular, the abolition of the prohibition on private companies granting financial assistance for acquisition of their own shares will go ahead as originally planned on 1 October 2008. The new procedure for private companies to undertake reductions of capital supported by a solvency statement, instead of by court order, will also be implemented on 1 October 2008. Further detail on these enactments will be provided in the next newsletter.

rob.reynolds@wilkinskennedy.com



BEWARE – FILING ACCOUNTS

From 6 April this year private limited companies with accounting periods starting on or after that date will now only have nine months from their year end to file their accounts. Partner Ian McIntyre details the penalty payments.

Public limited companies with accounting periods starting on or after 6 April will now only have six months from their year end to file their accounts.

From 1 February 2009 new periods and late filing penalties will be introduced:



Accounts delivered	Penalty private limited company	Penalty public limited company
Not more than 1 month late	£150	£750
More than 1 month but less than 3 months	£375	£1,500
More than 3 months but less than 6 months	£750	£3,000
More than 6 months	£1,500	£7,500

If a company is a repeat offender (that is, filing late accounts again in the following year) the filing penalty is double the figure set out above. For example if a private company files its accounts late for the second year running one week after the deadline then the penalty imposed will be £300.

If you have any questions about any Company Secretarial matters, please speak to your usual WK Finn-Kelcey contact in the first instance.

ian.mcintyre@wilkinskennedy.com



SETBACK FOR THE SELF EMPLOYED

Mike Bushell highlights a further loss for the self employed.

The upper limit of profits on which Class 4 National Insurance is payable by the self-employed has increased by £5,200 to £40,040 per annum. This does align the upper profit limit with that which applies to employees.

However, this must be seen in the light of the limited benefits which derive from the payment of Class 4 NI. Unlike employees, Class 4 NI payments do not provide any entitlement to state benefits such as state pension or incapacity benefits.



The changes are particularly unwelcome for small businesses as they come on top of increases in the small companies' rate of Corporation Tax, removal of Taper Relief and the government's promise to pursue measures to clamp down on "husband and wife" dividend payments.

michael.bushell@wilkinskennedy.com



EMPLOYING ILLEGAL WORKERS



New measures have been introduced to prevent illegal working. There is now an increased civil penalty for employing someone from outside the EU who does not have permission to be in the UK and to do the type of work involved. It will also be a criminal offence deliberately to employ an illegal immigrant. Partner Michael Swan explains the implications for employers.

Under the new system of civil penalties, employees who negligently hire illegal workers could face a maximum fine of £10,000 for each illegal worker found at the business. If employers are found to have knowingly hired illegal workers they could be found guilty of a criminal offence, incur an unlimited fine and/or be sent to prison.

Previous legislation, introduced in the Asylum and Immigration Act 1996, has proved difficult to enforce. This has therefore been repealed and replaced by the Immigration, Asylum and Nationality Act 2006. It took effect on 29 February this year and will apply to all employees recruited on or after that date.

An employer is someone who employs an individual under not just a written, but also a spoken contract. In order to protect themselves against a civil penalty, all employers should check new recruits' entitlement to work in the UK. The Business Link website (www.businesslink.gov.uk) provides an interactive tool to guide employers through the verification process. It is important to note that if a worker has

only limited leave to work in the UK, then the employer must repeat the checks every twelve months until permanent permission is obtained.

POINTS FOR SKILLS

A simplified points based immigration system, similar to the one used in Australia, is also being introduced. This will have a significant impact on those businesses proposing to make new or extension work permit applications. The first tier, affecting highly skilled workers, started to come into force at the end of February. Those already living in Britain and applying for extensions to their stay now have to be assessed according to the new system. New applications from highly skilled workers now living outside the UK will come under the points scheme very shortly. Next year should see the introduction of the system for skilled people with a job offer, students and temporary workers. However, the government has not set a time for the low skilled entry scheme. This means that in practice low skilled workers from outside the EU will not be allowed entry for the foreseeable future.

Employers should be able to guard against incurring a civil penalty by scrupulous observance of the Home Office's recommendations on document checking (through the Business Link website as mentioned above). If you have any queries, please speak to your usual WK Finn-Kelcey contact.

michael.swan@wilkinskennedy.com



KEEPING IT IN THE FAMILY

The confused situation of the transfer of tax free Inheritance Tax allowances between spouses has now become clearer. Reforms announced at the end of last year will simplify Inheritance Tax planning and enable the combined total tax free allowance to reach up to £624,000 on the death of the second spouse. Richard Williams outlines the situation.



Married couples and civil partners are now allowed to transfer their tax free Inheritance Tax allowance (also known as the nil rate band) where the surviving spouse or civil partner dies after 9 October 2007. Previously couples achieved the same tax effect by including discretionary trusts within their wills.

Following the second death (which has to be after 9 October 2007) the executor claims the unused proportion of the nil rate band on the first death. The unused proportion is based on the nil rate band at the time of the second death, and not when the first spouse died. The current year's nil rate band is £312,000 rising in stages to £350,000 by the year 2010/11.



WHERE THERE'S A WILL

Where wills have previously been drawn up to include a form of trust with the object of using the deceased nil rate band, these can still be valid for other family protection and wealth distribution purposes. These might be:

- Protection of the combined estate, as far as is legally possible, from being used to pay for care fees for the surviving spouse.
- Protection of the assets of the first spouse to die from being inherited by any new spouse/partner of the surviving spouse, or to ensure that assets pass to the children of the first marriage, where a surviving spouse has remarried.

In the light of the change, it is wise to review arrangements currently in place. It is essential for good records to be kept in cases where the spouse who dies first does not use their full Inheritance Tax allowance.

If you have any queries, please speak to your usual WK Finn-Kelcey contact.

richard.williams@wilkinskennedy.com



CASE STUDY

Bill died in June 2007 and left his son £100,000 with the remainder to his wife, Susan. At that time the nil rate band was £300,000 and therefore 2/3rds of the nil rate band was unused. If Susan dies in 2008/09 when the nil rate band is £312,000 a claim can be made by Susan's executor for the unused proportion of Bill's nil rate band. Susan will have a nil rate band of £520,000. (£312,000 + £208,000).



EXCHANGE RATE WHIPLASH

Many businesses conducting foreign trade are now feeling the pressure of currency and exchange rate fluctuations. Failure to take adequate measures to protect against movement in the currency markets can be a sobering experience. Hugh Summerfield outlines the issues.

Recent foreign exchange volatility has resulted in sterling losing more than 16% against the Euro over the past year, with more market turbulence anticipated. For small to medium sized businesses, there can be an immediate effect on profits, cash flow and overall value. Larger companies have always been able to stem exchange rate risks by using a toolkit of provisions including factoring, hedging (involving the use of options trading), forward exchange contracts and holding bank accounts not linked to the UK base rate. There is of course a cost to these services, which small businesses have often been reluctant to incur.

Research conducted this year by Investec Bank reveals that 60% of SMEs, with an annual turnover of £1 million or more and expecting to conduct business in a foreign currency over the next twelve months, say they have no formal or documented strategy to manage their foreign exchange risk. Investec calculates that a company conducting £2 million of foreign exchange could be exposing itself, realistically, to losses of up to £320,000.

Understandably, for many small business owners, the need to control the risk of lower profits due to exchange rate volatility is offset by the need to stay competitive. Nevertheless, current market turmoil and the prospect of a global economic slowdown make it vital that companies adopt formal foreign exchange strategies as margins tighten.

Please speak to your usual WK Finn-Kelcey contact as soon as possible if you have any concerns.

hugh.summerfield@wilkinskennedy.com



•WK FINN-KELCEY•

CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

www.wilkinskennedy.com

LONDON

Bridge House, London Bridge, London SE1 9QR
Tel: 020 7403 1877 E-mail: london@wilkinskennedy.com

AMERSHAM

Risborough House, 38-40 Sycamore Road, Amersham,
Bucks HP6 5DZ
Tel: 01494 725544 E-mail: amersham@wilkinskennedy.com

ASHFORD

Stourside Place, Station Road, Ashford, Kent TN23 1PP
Tel: 01233 629255 Email: ashford@wilkinskennedy.com

CAMBRIDGE

8 Dukes Court, 54-62 Newmarket Road, Cambridge CB5 8DZ
Tel: 01223 301166 E-mail: cambridge@wilkinskennedy.com

EGHAM (HEATHROW)

Gladstone House, 77-79 High Street, Egham, Surrey TW20 9HY
Tel: 01784 435561 E-mail: egham@wilkinskennedy.com

GUILDFORD

Mount Manor House, 16 The Mount, Guildford, Surrey GU2 4HN
Tel: 01483 306318 E-mail: guildford@wilkinskennedy.com

HERTFORD

Cecil House, 52 St Andrew Street, Hertford, Hertfordshire SG14 1JA
Tel: 01992 550847 Email: hertford@wilkinskennedy.com

HORSHAM (CORPORATE FINANCE)

6 Kings Court, Harwood Road, Horsham, West Sussex RH13 5UR
Tel: 01403 216690 Email: info@wkcorporatefinance.com

ORPINGTON

Greytown House, 221-227 High Street, Orpington, Kent BR6 0NZ
Tel: 01689 827505 E-mail: orpington@wilkinskennedy.com

READING

6c Church Street, Reading, Berkshire RG1 2SB
Tel: 0118 9512131 E-mail: reading@wilkinskennedy.com

ROMSEY

3-4 Eastwood Court, Broadwater Road, Romsey SO51 8JJ
Tel: 01794 515441 E-mail: romsey@wilkinskennedy.com

SOUTHEND-ON-SEA

1 Nelson Street, Southend-on-Sea, Essex SS1 1EG
Tel: 01702 348646 E-mail: southend@wilkinskennedy.com

WINCHESTER

Parmenter House, 57 Tower Street, Winchester SO23 8TD
Tel: 01962 852263 E-mail: winchester@wilkinskennedy.com

FALKLAND ISLANDS

Globe Offices, Philomel Street, Stanley, Falkland Islands
Tel: 00500 22918 E-mail: falklands@wilkinskennedy.com



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