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**HWB**  
CHARTERED ACCOUNTANTS

**HWB Chartered Accountants**  
Highland House, Mayflower Close, Chandlers Ford, Eastleigh SO53 4AR  
Tel: 023 8046 1200 Fax: 023 8026 9621  
Email: admin@hwb-accountants.com www.hwb-accountants.com

# HWB Bulletin

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## Funding expansion for an SME

**In today’s challenging economic climate it has become increasingly difficult to obtain funding for smaller businesses with little or no security. But a government-backed scheme is delivering a solution.**

The Small Firms Loan Guarantee Scheme (SFLGs) makes it easier for entrepreneurs and SMEs looking to expand to raise the finance they need.

SFLGs has been designed specifically for the SME to gain access to loans where they would normally have been turned down by their bank because of their lack of security or lack of track record.

The 2008 Budget introduced a temporary increase of 20% in the amount of finance available through the SFLGs and relaxation of the restrictions on the firm’s age to allow access to the scheme for a wider range of businesses.

Richard Hurst, director of chartered accountants HWB and head of their corporate finance division, explains, “The changes to the scheme are a positive move offering a much-needed lifeline, but there are still a large number of businesses unaware of its existence.

“This scheme is an opportunity for those businesses which would normally struggle to secure funding and these new measures show the government’s desire to support SMEs.

“It just needs to be more widely promoted so that people know it’s there!”

The SFLGs scheme is eligible to businesses with

a turnover less than £5.6m. Between £5,000 and £250,000 can be borrowed for up to 10 years with the government guaranteeing 75% of the loan amount. Interest rates are typically between 3% and 4% above base rate and there is also an annual cost of 2% on the outstanding balance of the loan, which is payable quarterly.

In previous years the scheme was only available to those businesses under five years old. As part of the scheme changes, this criteria has now been removed. There are however still some restrictions, including certain industries and purposes, which are ineligible.

One HWB client who has just benefited from the scheme is Dominic Phipps of Generation Bikes, a bike and sportswear business with a niche specialism in BMX. Dominic needed finance to launch his business. Richard Hurst supported Dominic through the application process, working with him to develop his business plan and financial forecasts.

“In the current banking climate I didn’t think I would have been able to source these funds which were essential in order to develop my strategy,” says Dominic. “I was delighted with HWB’s support which ensured I secured the funding and raised the finance to make this happen.”

Hurst concludes: “Although this scheme is a positive move for a sector of business which is very important to our economy, applicants must be clear on how the money will be spent and not apply for more money than the business can afford to repay.

“The foundation of the application will be a good business plan, careful and realistic financial forecasts and the resource in place to produce regular, reliable management information.

“The team here at HWB will be able to work with you to put together your application.”

For further information contact: Richard Hurst, HWB 023 8046 1200 or email richard.hurst@hwb-accountants.com

## The Companies Act 2006

October 1 will see the introduction of the latest raft of changes introduced by The Companies Act 2006 reports HWB director, Mark Rogers. These changes include, amongst others:

- Increased responsibility for directors over conflicts of interest including accepting benefits from third parties and a duty to declare an interest in proposed transactions or arrangements.
- Private companies will now be able to give financial assistance to buy their own shares, effectively removing the ‘whitewashing procedures’.
- A new minimum age for a director has been set at 16 years old. Existing underage directorships will cease.
- A new provision which will allow complaints to be made where a company has been registered with the intention of extracting money from the complainant or preventing them from registering a name in which they have goodwill.
- Annual returns will contain less information on a company’s shareholders. Private and non-traded public companies will only be required to provide names not addresses.

For further information call Mark Rogers on 023 8046 1200 or email mark.rogers@hwb-accountants.com



Mark Rogers, HWB director. ▲



## HWBullets beat the credit crunch

“The UK is in the thick of an economic slowdown and a recession may well be around the corner. But for most businesses that should not trigger panic, only a determination to manage better,” says Alan Williams, managing director of HWB.

“Well managed businesses will survive the downturn and should be leaner, stronger and better equipped to make the most of the good times when they return,” he says. Here he outlines practical bullet points to help you beat the credit crunch:

- ▲ **Be flexible**  
You may need to review your strategy. Sometimes it’s hard to see the wood for the trees and an objective view can help.
- ▲ **A watchful eye and a finger on the pulse**  
Monitor the bank account daily, review overheads closely and really keep close to your business.
- ▲ **Knowledge is power**  
Gather information – and use it! Management accounts are critical in tough times ensuring you deal with issues before they become problems. Gross margin problems, overspends and working capital issues can all be flagged up sooner rather than later with quality management information regularly monitored.
- ▲ **Take credit control seriously**  
Credit control is essential to keep your cash flow sound and reduce the risk of incurring a bad debt which will put strain on the business.
- ▲ **It’s good to talk**  
Keep in regular contact with your bank manager, review your facility and always keep within it, monitor your bank account daily and run cash forecasts so you can identify and address any cash flow issues with the bank or your creditors.
- ▲ **Back to basics**  
It sounds obvious but make sure your sales invoicing system is operating correctly. A delay in billing can cause a fatal cash flow blow. Take a long, hard look at the time it takes to order goods and raise an invoice – can this be reduced?
- ▲ **For a rainy day!**  
View capital expenditure with caution. Is it necessary today? Is there an alternative? Don’t leave the business strapped for cash at a time when the economic climate is uncertain. But keep the situation in perspective – your business will still need investment for the long term strategy – and for energy-intensive items remember it may pay to go green!
- ▲ **Don’t be an ostrich**  
If you’re concerned at all about the financial performance of your business take professional advice – and act quickly.
- ▲ **Get fighting fit**  
Get your business fighting fit and ready to get off the starting blocks first when opportunities presented by the downturn come your way.
- ▲ **Know a man (or woman) who can!**  
Quality independent advice can save you money and improve your profits.

## Stamp duty holiday

September 2 saw the introduction of a 12-month stamp duty holiday for residential properties costing less than £175,000.

Designed to give a boost to the ailing housing market, the Chancellor is clearly targeting the first time buyer, while for properties in other bands the stamp duty remains the same.



## Contact us

If you would like to receive this newsletter as a pdf, or no longer wish to receive it at all, then please let us know.

Email Lorna Jackson at lorna.jackson@hwb-accountants.com or write to Lorna at: HWB Chartered Accountants, Highland House, Mayflower Close, Chandlers Ford, Hampshire SO53 4AR.

Please include your name, company name and address.



# Autumn tax windfall

**Amidst the current economic doom and gloom HWB tax director, Tracy Jenkins explains why more than 20 million taxpayers will benefit from a £60 tax windfall this autumn.**

"New tax measures came into force in September which will see basic rate taxpayers making a saving of £120 this year," she says. "£60 less tax will have been taken from the September pay packets and then £10 per month less tax will be deducted for the rest of the tax year.

"The windfall is the result of an increase of £600 in personal allowances for basic rate taxpayers which is now set at £6,035. This increase has been triggered by Gordon Brown's

u-turn on his controversial abolition of the 10p tax band. In effect the increase is designed to offset the negative impact of the abolition."

For those with a monthly pay date on or after 7 September, the reduction will be £60 in their tax paid at the end of September. If a September pay date falls before the 7th they will see a £70 reduction in their October tax.

On payslips the changes will be made as alterations to personal allowances and to their tax codes. The self-employed will not see the benefit until January 2009 and higher rate taxpayers will not benefit at all!

"The windfall may trigger a much-needed boost to the economy for September although no doubt many people will save it in the current economic climate," Tracy concludes.

# Freefall for a thousand

Paul Charman, HWB audit senior bravely subjected himself to a 55 second freefall from 13,000 feet before his parachute kicked in – all to raise £1,000 for The Hampshire Autistic Society.



# The Fabulous Five

Congratulations to our 'fabulous five' on their promotions and exam successes. Sally Hodge has been promoted to the management team, Paul Charman has been promoted to audit senior and Rachel Taylor, Amy Turnbull and Mark Doree have now qualified as chartered accountants having passed their final exams.

# Specialist recruitment market briefing

Key players in the recruitment industry in the region recently attended an HWB breakfast briefing to discuss a host of issues.

HWB specialises in the recruitment market and attracted businesses from across Hampshire, Dorset and Wiltshire to attend the event at The Moldy Fig Wine Bar at The Concorde Club.

"The event was a huge success," says Alan Williams, managing director of HWB and specialist in the recruitment market.

"It proved an ideal forum for businesses to discuss key issues supported by the advice and guidance of the HWB team as well as solicitor, Sarah Whitmore of Warner Goodman and representatives from Lloyds TSB, commercial finance professional Andy Scott Oldfield and recruitment finance division specialist Helen Hesketh.



▲ From left to right, Helen Hesketh, Andy Kershaw, Sarah Whitmore, Alan Williams, Andy Scott Oldfield.

# Your pension is an asset like any other

**The vast majority of us still view our pension as an asset that cannot be touched until you retire.**

But, says Arthur Bell, director of HWB, it should be viewed as an asset like any other which can be used to your advantage as soon as you reach 50.

Following changes to pension's legislation in 2006 most of us can access our pensions from this age, although in 2010 this increases to 55.

There are a host of cost savings to be achieved with some advance planning and advice from your HWB director. For example, Mr A has a pension pot of £200,000. He is 50 and a higher rate taxpayer.

He wants to reduce his £100,000 mortgage with interest at 6% and pay off a £15,000 credit card balance at 16% interest.

Each month he pays around £500 for the mortgage and £300 for the card repayments. As an interest-only mortgage, there is no reduction on the capital outstanding and there is only a gradual reduction on the credit card balance.

One solution would be to take the maximum of £50,000 as tax-free cash from his pension fund – pay off the credit card debt and reduce the mortgage by £35,000.

This will produce savings of £475 pm. If this is then re-directed into a personal pension, it will benefit from basic rate tax relief at source of 20% increasing the gross contribution to £593.75.

He will then be able to reclaim a further £1,425 pa (£118.75pm) representing the difference between basic and higher rate tax of 20% of the gross premium.

If he retires at 65 and investment returns of 7% per annum (net of charges) are achieved, then this will provide additional pension funds of over £188,000.

Further tax-free cash of £47,000 would be available and income tax of £21,375 would have been saved. His total pension funds would be around £615,000 before any tax-free cash is taken!

Creative advice for personal finances for individuals is just one of the services the HWB team offer. For more information contact your HWB director or Arthur Bell on 023 8046 1200.

# Interest-free loans and tax breaks

**Businesses looking to invest in boiler systems, air conditioning, lighting, refrigeration or any other energy-intensive capital items should think twice before they sign on the dotted line.**

That's the verdict of HWB director, Geoff Rhodes who says: "Companies are missing out on interest free loans, tax incentives, improved cash flow and reduced energy bills not to mention environmental benefits – all because they are unaware of the advantages of energy-efficient investment."

He explains the government has backed an organisation, The Carbon Trust, to work with UK businesses and the public sector to drive the move to energy efficiency in the workplace.

The Trust holds an 'Energy Technology List' (ETL) of products which are recognised as meeting the Government's carbon criteria.

"Admittedly these products can carry premium



▲ Geoff Rhodes, HWB director, explains how energy efficient capital items can now deliver on performance and price.

prices," explains Geoff, "but when you offset these against all the financial and environmental benefits they can often prove more attractive propositions.

"For example, small and medium-sized businesses can secure interest-free loans of up to £100,000 from the Carbon Trust for the purchase of this kind of product.

"This equipment also benefits from Enhanced Capital Allowances (ECAs) – accelerated tax relief. The scheme allows businesses to write off 100% of the cost of the purchase of ETL equipment in the first year.

"This means that if a business pays Corporation Tax at 28%, every £1,000 spent would reduce its tax bill by £280 in the first year. Add to that the interest savings on a loan, the savings on energy bills, not to mention lower Climate Change Levy payments – then energy efficient options can stack up and the calculations should certainly be made whenever purchase of these products is on a company's agenda."

HWB can offer advice and undertake the calculations.

Telephone 023 8046 1200.

Further information is available at [www.carbontrust.co.uk](http://www.carbontrust.co.uk)



# Corporate finance appointment

**HWB has appointed Tanya Dowthwaite to its corporate finance team.**

With more than 20 years' experience in corporate finance, she specialises in transaction support with a portfolio of assignments which includes the merger of Matra Espace and Marconi Space Systems as well as advising Siemens on its acquisition of Westing House Hawker Siddeley.

Director Richard Hurst said: "We are extremely pleased to have someone of Tanya's calibre on-board. Her experience in due diligence and pre-lending reviews is particularly strong and I'm sure she will be an invaluable asset to our team."



▲ New corporate finance recruit Tanya Dowthwaite.

# New penalties for tax errors

**New legislation has been introduced initiating new penalties for those who make errors on their tax returns.**

HWB director, Tracy Jenkins said: "The intention of the new legislation is to support people who want to comply, and penalise those who are careless or deliberately try to avoid paying tax."

The regulations state: "To be liable for the penalties, a tax return document must contain an inaccuracy that leads to an understatement of the person's liability or a false or inflated statement of loss or claim to repayment."

As well as having to pay the tax itself, the taxpayer will also have to pay an additional penalty depending on the nature of the error:

- A careless inaccuracy – 30% of the tax due
- A deliberate inaccuracy – 70% of the tax due
- A deliberate and concealed inaccuracy – 100% of the tax due

Tracy explains: "Initially the tax will affect documents relating to: VAT, PAYE, NICs, CGT, Income Tax and Corporation Tax and will be applicable to the returns period starting on or after 1 April 2008, with returns due on or after 1 April 2009.

"That said, the 2008 Finance Act has extended the regime to cover almost all of the taxes, levies and duties in this country."

For further information contact Tracy Jenkins on 023 8046 1200.

# The Directors

Tel: 023 8046 1200



Alan Williams  
[alan.williams@hwb-accountants.com](mailto:alan.williams@hwb-accountants.com)



Richard Hurst  
[richard.hurst@hwb-accountants.com](mailto:richard.hurst@hwb-accountants.com)



Geoff Rhodes  
[geoff.rhodes@hwb-accountants.com](mailto:geoff.rhodes@hwb-accountants.com)



Tracy Jenkins  
[tracy.jenkins@hwb-accountants.com](mailto:tracy.jenkins@hwb-accountants.com)



Mark Rogers  
[mark.rogers@hwb-accountants.com](mailto:mark.rogers@hwb-accountants.com)



Arthur Bell  
[arthur.bell@hwb-accountants.com](mailto:arthur.bell@hwb-accountants.com)



Chris Acreman  
[chris.acreman@hwb-accountants.com](mailto:chris.acreman@hwb-accountants.com)