

Chartered Accountants • Registered Auditors • Business Advisors

# ABG - EuraAudit membership ratified

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A member of EuraAudit International and the CharterGroup Partnership with world wide Representation.

Arram Berlyn Gardner is registered to carry out audit work and is regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities.

ABG Financial Management Limited is authorised and regulated by the Financial Services Authority (FSA) Registered in England No 2187610

**For some time now, we have been looking to join a world-wide association of high quality medium-sized accountancy firms with a view to becoming the London representative. Up until now, any international advice regarding accounts, tax, etc. that clients have required has been dealt with via our CharterGroup membership.**

We are therefore delighted to announce that on 27 May 2005 we became the London representatives of EuraAudit which is an association of 85 medium-sized firms of accountants across the world, predominantly in Europe.

Mark Rubinson has been the partner spearheading this initiative and he was delighted to be invited to attend EuraAudit's Board Meeting in Paris at the end of May when ABG's membership was ratified.

It has taken us quite a while to find the right international consortium as we have been looking to join a grouping of like-minded firms who offer each other technical advice and support together with referral opportunities rather than merely an association who have little or no interaction with one another. We are now in a better position to provide clients with access to advice in the fields of overseas accounts, tax, etc in most major jurisdictions. We will, of course, retain our CharterGroup membership in order that we can continue to help clients in specialist areas where our CharterGroup colleagues have greater expertise than ourselves.

EuraAudit's headquarters is at Blvd Haussmann in the centre of Paris and, as an organisation, it has carried out work for the World Bank, the European Central Bank and similar organisations in Africa.

We are confident that our membership of such a prestigious organisation will further enhance our ability to be a truly "one-stop shop" for our clients.

## Client success



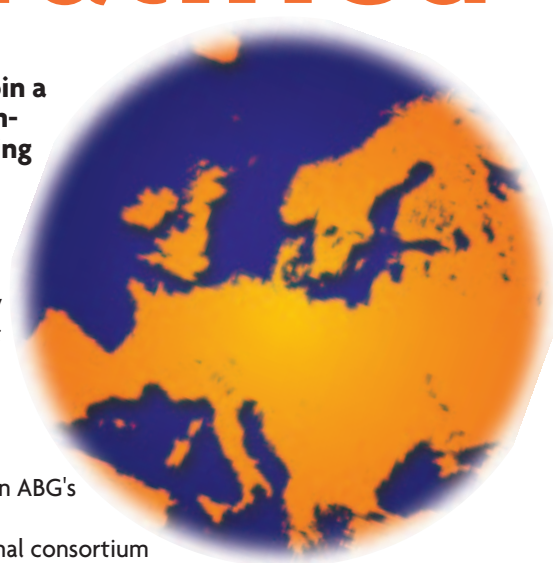
**Our client, The Recruitment and Employment Confederation (REC), was the winner of 2 awards at the prestigious Trade Association Forum's Best Practice Awards 2005.**

REC is the body which represents the £24.5 billion recruitment industry. It has 6,000 corporate members and 5,000 individual members. All its members adhere to a Code of Good Recruitment Practice - designed to ensure that jobseekers and employers receive the highest recruitment standards.

The Trade Association Forum was formed in 1997 and encourages the development and sharing of best practice among UK trade associations. The Trade Association Awards were introduced with the three-fold purpose:

- to foster the search for excellence
- to recognise and reward achievement
- to encourage the communication and adoption of best practice

Congratulations to Gareth Osborne and his team on this great success.





If you would like any further information on this subject, please contact Simon Simpson on 020 7330 0028 [ssimpson@abggroup.co.uk](mailto:ssimpson@abggroup.co.uk) or your contact partner.

## With effect from the 5th December 2005 the Law will change to recognise the registration of the partnership of same sex couples.

This long awaited and debated legislation will recognise the permanency of the relationship and will bring with it the tax advantages and legal protections that married couples have enjoyed historically.

The Civil Partnership Act 2004 permits the registration of a relationship between two people of the same sex with the resulting relationship being referred to as a Civil Partnership.

The legislation brings civil partnerships legally in line with married couples on many levels. The legislation provides for the creation of a partnership, as well as the framework for its dissolution, whether through death, 'divorce' or annulment. It makes provision for children of the partners, step-children, the adoption of children and co-ownership issues where property is owned jointly. It also brings tax advantages to the relationship which are detailed below.

### The Tax Treatment of Civil Partnerships Inheritance Tax

Gifts made between civil partners in life and on death will, in most cases, now be free from Inheritance Tax regardless of their value.

### Capital Gains Tax

Transfers of assets between civil partners will similarly be treated as neutral for Capital Gains Tax purposes. This means that a transfer of an asset to a partner would not incur a Capital Gains Tax charge until the partner subsequently disposes of the item.

Only one principal private residence exemption will be permitted for partners living together whether the property in which they live is owned jointly or just by one of them.

### Wills

Although protection is now provided in both the case of an intestacy or where less provision than is justified is made, it is still imperative that Wills are made protecting each other and ensuring that one's wishes are carried out. This is particularly important where there are children from an earlier relationship.

Any earlier Wills made will be cancelled by the new partnership unless special arrangements are put in place.

The dissolution of a partnership will usually cancel the appointment of an ex-partner as Executor and will delete any gift made to them.

## Salary sacrifice: good for your staff, good for your business?

**It has been estimated that the average cost to a business of replacing an employee is as much as £4,000 - with the figure for managers at an average of £7,000. Businesses therefore need to consider how they can reduce this cost and improve business performance by ensuring that the workforce is content. And often contentment comes not from simple salary levels, but also from the 'perks' on offer.**

Many employers now offer new employees a choice in their remuneration packages - effectively offering a 'menu' and a fixed limit, up to which the new employee can choose from salary, pension contributions, life assurance and medical insurance, a company car, free car fuel and so on.

But can the same 'deal' be offered to your current employees? Can they give up, or 'sacrifice', a part of their salary in return for additional pension contributions or other benefits? And if so, what can your business expect to gain?

### Salary sacrifice for current employees

The basic rule is that this sort of 'menu' can be extended to existing employees, but only as long as:

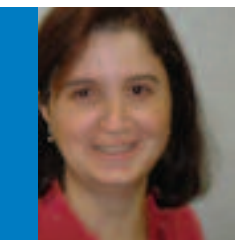
- salary is sacrificed before it is treated for tax purposes as paid, and
- the employee's contract is changed so that he or she becomes entitled to a lower level of salary plus the 'benefit' without any right to have the original rate of salary reinstated on demand.

The latter point is particularly important when we look at tax-advantaged benefits like childcare vouchers, because if the benefit can be given up and automatically replaced with salary at any time, the salary sacrifice is not effective for tax purposes.

If the sacrifice meets these essential criteria, your employee's gross pay - on which tax and national insurance contributions will be calculated - will be reduced (although the usual rules apply for charging tax and employer NICs to the benefits). As a result of lower taxable benefits or specific exemptions and reliefs, this can mean lower net costs for you and/or your employee.

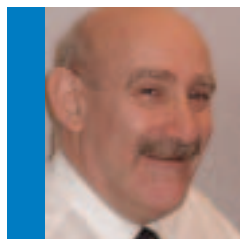
### A word of warning

To be effective for current tax and NIC purposes the employee must not have the simple right to request cancellation of the 'benefit' and reinstatement of 'full pay' as HM Revenue and Customs will then be entitled to insist that the income tax and employee/employer NICs are all paid as if no sacrifice had been made - the 'benefits' are effectively exchangeable for cash, and consequently are included in 'gross pay' for tax and NIC calculations. We have illustrated the potential tax saving of providing childcare vouchers as a salary sacrifice on the back page.



If you would like any further information on this subject, please contact Filiz Zekia on 020 7330 0024 [fzekia@abggroup.co.uk](mailto:fzekia@abggroup.co.uk) or your contact partner.

**The Government dropped a 'bombshell' in 2003 when it announced that there was to be a new income tax charge on the benefit people get by having free or low-cost enjoyment of assets they once owned (or provided the funds to purchase), and transferred after 17 March 1986.**



If you would like any further information on this subject, please contact Len Lazarus on 020 7330 0006  
llazarus@abgggroup.co.uk  
or your contact partner.

The regulations broadly follow the model of the benefit-in-kind charge on employees and **apply in or after the tax year 2005/06.**

The charge is designed to block artificial structures set up to avoid the inheritance tax (IHT) rules about gifts made with reservation (GWR). There are exclusions covering circumstances where deliberate avoidance is not in point. There is also a de minimis threshold of £5,000 and benefits with total annual cash values below this level will be disregarded. The charge does not apply to a person who is not resident in the UK for income tax purposes for the year of assessment.

The charge applies to three types of property:

- **land** (includes houses and other buildings)
- **chattels** (such as paintings, furniture, vehicles, boats, jewellery, musical instruments, wines and spirits and collectible items)
- **intangible property** (anything not covered above, such as cash, shares, insurance policies) held in a trust

The benefit is based on open market values (rent for land and 5% of capital for chattels and intangibles). The value may be affected by contributions and disposals made by the taxpayer since 18 March 1986. Revaluations are required every five years.

**There are broadly three ways to potentially avoid the new charge:**

- dismantle the artificial structures, thereby reinstating the potential IHT charge originally

being sought to be avoided. However, this may have other unforeseen effects and should not be undertaken without expert advice

- pay a market rent sufficient to trigger the de minimis exemption
- elect (by 31 January following the first year of assessment) to have the property in question treated as a GWR. There are provisions to deal with the potential double charge to IHT that this could create

Any of these courses of action can have immediate or ongoing tax consequences, so none should be entered into without proper advice and due consideration.

## Example

In June 1997 Keith transferred title to his property to a nominee who then granted Keith a 20-year lease of the property at a nominal 'peppercorn' rent. The encumbered freehold reversion was then gifted to his son. Keith continued to occupy the property.

Keith would be subject to the income tax charge with effect from 6 April 2005, based on the rental value attributable to the property actually disposed of.

Note that if the transfer had been effected after 8 March 1999, it would have been caught by the GWR rules and would not, therefore, be subject to the income tax charge.

## Revenue 2 - Husbands and Wives 0

**You may remember back in the Winter 2004 Newsletter the husband and wife company known as Arctic Systems had lost their landmark case before the Special Commissioners and that they were facing a costly visit to the High Court. Well, the costs have been incurred, the case presented, and the outcome? - a second resounding win for Revenue & Customs.**

Mr Justice Park's decision in the High Court was announced on 27th April this year and has left clients and the profession alike with no further guidance as to whether a husband and wife (or other family member or friend) company (or partnership) is (or is not) within the dreaded "settlement" legislation. If it is, then dividends paid to the "non-fee earning" spouse are assessable on the "fee earner" hence countering what for many years was standard tax planning.

Some feel the way the company was structured invited Revenue challenge. Mr Jones, who was the only director and fee earner and therefore had the sole ability to determine dividends and who drew only a comparatively small salary, held 1 share (50%), and the remaining 1 share was in the hands of Mrs Jones who worked only part time for a market salary yet had a 50% entitlement to significant dividends. The decision went against them in that the structure was considered an "arrangement" under the

settlement legislation and Mr Jones was not precluded from an assessment to income tax on the dividends paid to his wife because it was not in this case an "outright gift" to her. If it was, then there could be no "settlement" to charge. As to what would be required for the gift exemption to apply is still a matter of conjecture and guidance is desperately needed from the Courts.

On 8th June, the Jones' lodged an appeal against that decision to be heard by the Appeal Court and it is understood already that whichever side loses, the other will further challenge to the House of Lords.

If you are in a family company or partnership situation it will therefore be some time before there can be any certainty as to how this case may apply to your circumstances. However, the best advice for the moment is to keep records of the contribution of each spouse to the business and speak to your contact partner.



If you would like any further information on this subject, please contact Simon Simpson on 020 7330 0028  
ssimpson@abgggroup.co.uk  
or your contact partner.



If you would like any further information on this subject, please contact Gary Jackson on 020 7330 0003 [gjackson@abgggroup.co.uk](mailto:gjackson@abgggroup.co.uk) or your contact partner.

**It is becoming increasingly difficult to describe inheritance tax (IHT) as a 'voluntary tax'. Those who die owning even relatively modest homes will find the value of their estate exceeds the £275,000 threshold for paying IHT at 40%.**

Since April 2005 there has been an additional income tax charge, known as Pre-Owned Asset Tax (POAT), imposed on anyone who gives away significant assets or cash, and continues to enjoy benefits from those gifts.

However, there are gifts you can make that are not caught by POAT or IHT, in the following circumstances:

### Charities

Any gifts you make to charities, whether during your lifetime or through your Will after death, are free of IHT as long as no conditions are attached. Gifts to health service bodies, various national museums and to political parties are also free of IHT without limit.

### Marriage

Gifts made to a bride or groom just before or after their marriage are exempt from IHT within certain limits depending on the family relationship. The parents of the happy couple can give up to £5,000 each. As soon as the couple are wed there are no limits on tax-free transfers unless a UK domiciled spouse is making a gift to his or her non-UK partner, when the long standing lifetime tax-free limit of £55,000 applies.

Marriage is still the great tax saving 'device' for IHT. Those that have never legally tied the knot unfortunately do not benefit from the tax exemption on gifts even if they have been living together for many years. Under the new Civil Partnership Act, same

sex couples that have entered into a civil partnership should also be able to make unlimited tax-free gifts to each other. However we will have to examine the detail of the legislation to ensure that this Government promise is actually translated into law.

### Gifts out of income

This less well known exemption can be used to make regular gifts out of your annual income to whomever you choose. As long as you establish a pattern of gifts that can be shown to be satisfied from your income without diminishing your capital assets such as property, shares and investments, the gifts are completely free of IHT. To meet this test it is important that you are left with sufficient after-tax income to maintain your usual standard of living.

### Annual gifts

Gifts of up to £3,000 per year made in addition to the gifts in the above categories are also free of IHT. It doesn't matter if this amount reduces your standard of living or whether it is given to one person or many. If this annual exemption is not used in one tax year it can be covered in the next to make up to £6,000 of tax-free gifts in the second year.

Finally, you can also make small IHT exempt gifts of up to £250 per annum to any number of persons.

So why not take steps to ensure that you 'disinherit' the Government, and make sure that the people you want to benefit, do so. Contact us, and we can help you.

## New Ethical Standards for Auditors

**The Auditing Practices Board (APB) has recently published Ethical Standards to be complied with by audit firms for audits of financial statements for periods commencing on or after 15 December 2004.**

In setting the Standards the APB has sought to achieve the following objectives:

- To ensure Ethical Standards for auditors take into account events that have brought into question the integrity of financial reporting and address areas of concern identified.
- To replace existing Ethical Guidance with Standards so that auditors are obligated to comply with them.
- To use language that limits the subjective application of the Standards and to facilitate the effective monitoring of them by the Audit Inspection Unit of the Accountancy Bodies.

The 5 main Ethical Standards cover the following areas:

### Ethical Standard 1

#### Integrity, Objectivity & Independence

Auditors should conduct the audit of the financial statements of an entity with integrity, objectivity and independence.

**According to a recent survey, a third of UK employers claim that deficient skills among their staff result in higher operating costs, orders being lost and new product development being delayed.**

Staff training and skills are currently high on the Government's business agenda. Following the success of the Employer Training Pilot scheme, which has over 100,000 employees registered, last December's Pre-Budget Report announced the launch of a National Employer Training Programme, along with the allocation of an extra £197 million to fund it.

So how could you take advantage of training: firstly to avoid hurting your bottom line, and ultimately to really benefit your business?

## Beyond the basics

Clearly, the minimum you need to offer staff is the training to make them competent to perform the job. For example, your admin team will need the essential computer skills, and your sales team will need a good understanding of your products and services. There are also certain mandatory requirements, such as health and safety training.

But beyond these basics, there are benefits to offering non-essential, or 'added value' training to your staff. An obvious advantage to offering ongoing training is that it can confer a competitive advantage. For instance, salespeople who are highly qualified with skills in telephone techniques, writing proposals and teamworking will be at an advantage over those who are only given product training and a script.

## Which training?

When deciding on the particular training to offer to staff, the key is to identify any 'skills gaps'. Define what you want your business to achieve, identify the skills and knowledge required to do so, and then examine where existing staff fall short of the required expertise. You can do this in a management brainstorming session, or take a more comprehensive approach through the Investors in People programme ([www.iipuk.co.uk](http://www.iipuk.co.uk)).

But there is also an argument that investing in widespread training can be beneficial in and of itself, turning your business into a 'learning organisation'. Where staff are constantly learning new skills across a range of disciplines and applying these to the business, you should see greater dynamism, innovation and higher motivation, and avoid stagnation.

## Costs and funding

How much you spend will depend on the type of training you want to offer, but according to research by the Industrial Society, businesses with less than 100 staff spend an average of £372 per employee on training every year.

There are various forms of funding available to help you, and your local Training and Enterprise Council (TEC) will have more information.

But perhaps the best approach is not to view training as a cost, but an investment that will ultimately reward your business's bottom line.



If you would like any further information on this subject, please contact Melvyn Segal on 020 7330 0002 [msegal@abggroupp.co.uk](mailto:msegal@abggroupp.co.uk) or your contact partner.

## Ethical Standard 2

### Financial, Business, Employment & Personal relationships

This Standard ensures that there is no financial, business, or personal relationships which would affect the audit firm or the audit partner's ability to carry out the assignment independently and objectively.

## Ethical Standard 3

### Long association with an audit

The Standard states that an audit firm should establish policies and procedures to monitor the length of time that audit engagement partners and staff in a senior position serve as members of the audit team and apply safeguards to ensure that there is no familiarity or independence threat.

## Ethical Standard 4

### Fees, Remuneration, Gifts & Hospitality

The Standard ensures that no audit fee should be undertaken on a contingent fee basis and that the

audit team should only accept gifts from audit clients of an insignificant value.

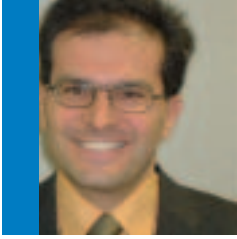
## Ethical Standard 5

### Non audit services provided to audit clients

The Standard lists various services which are prohibited to be supplied to an audit client and those which may be carried out where certain safeguards need to be put in place.

ABG supports the introduction of these Standards which seek to ensure that all audits are carried out in accordance with approved guidelines. Most of the requirements are a confirmation of what has been best practice for some time. There are some new features which will affect the conduct of certain work with certain clients and we will be addressing these issues over the coming months.

If you require any further information, please speak to your usual contact partner.



If you would like any further information on this subject, please contact Mark Rubinson on 020 7330 0005  
 mrubinson@abgroup.co.uk  
 or your contact partner.

**Strategic planning is essential for all businesses that want to improve their long-term financial performance, and a recent survey suggested that over 75% of SMEs have attempted planning in some form. It is vital to take time out from the day to day running of the business to focus on the future, and external help and constructive feedback can help you to avoid some of the potential pitfalls.**

## Traps to avoid

There are some common traps that many businesses fall into when it comes to strategic planning. These include:

- being too concerned with general objectives, without addressing the practical questions of how they are to be achieved
- having an overly simplistic vision, which is not necessarily grounded in a tangible, competitive advantage and the real-life demands of the market
- being controlled exclusively by too small a number of individuals, with too little input from the business and staff as a whole
- basing goals upon inaccurate or wishful financial projections
- focusing too narrowly on particular areas, such as sales measures, rather than taking an holistic approach which factors in all of the elements that create profitability.

## A new perspective

To avoid these traps, it is useful to take a fresh perspective on the business. You should look at the

wider picture, including such things as the 'PEST' factors (political, economic, social and technical); the actions of your competitors; the efficiency of your systems and cost management; and the factors that drive growth in your business.

A good external adviser can often help in achieving this perspective. He or she can do this not just by coming up with imaginative ideas for growth and strategy, but also by facilitating discussions, helping you to evaluate options, and by asking you searching questions about your business to stimulate creative thinking and help you find your own solutions.

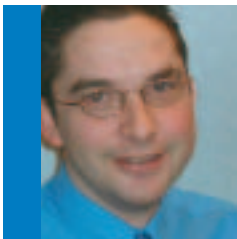
## Practical measures

Above all, strategic planning must result in practical measures which ultimately benefit your bottom line.

Strategies should be broken down into step-by-step processes, deadlines and responsibilities decided upon, and project management guidelines put in place so that ideas can be implemented. Measures that will enable you to track success should also be established.

As your accountants, we can help you with much more than just preparation of your financial statements. We can assist in many of the areas that will enable your business to achieve long-term financial success. These include such things as preparing cash-flow forecasts and business plans, minimising your tax burden and helping you to maximise the opportunities for raising finance.

Contact us, and we will be delighted to discuss these issues with you.



If you would like any further information on this subject, please contact Paul Morris on 020 7330 0026  
 pmorris@abgroup.co.uk  
 or your contact partner.

## Staff survey

**In Spring, Arram Berlyn Gardner undertook a firm-wide confidential survey in order to gauge the important opinions of our staff.**

The survey was split into several sections, with the first one involving 12 key questions to our staff on their individual perceptions of their roles and the firm generally. Questions included I know what is expected of me; generally, people at work, seem to care about me as a person; and in the last six months, someone has talked to me about my progress.

The second section asked people about their views on the five key areas of the office and resources, communication within the firm, feedback provided, structure and management of the firm.

In the next section we asked for the best thing about the firm and what was it they most wished to change. The last section was a free form section for other feedback, including views on the actual survey itself.

It was clear that to get the most value from the survey, the responses had to be given confidentially. In order to ensure this, the survey was hosted externally on the internet and we were then provided the results with the name of the respondents removed.

After analysing the feedback, it was critical that a report was provided to all staff to show that we were committed to acting on the feedback provided. Our report was sent firm-wide after a month and provided details on the results and a list of 15 proposals arising from the comments made.

This exercise has proved to be extremely positive, as we have identified a number of key issues affecting our team, which we have started to address. Where we have been unable to immediately address an issue, we have given ourselves a target date for doing so.

We are also committed to re-running the survey before the end of the year in order that we can gauge the success of the measures introduced.

We believe that only with the active participation of all our staff, can the firm remain successful in a very challenging market place.

Should you feel that a similar survey would be a useful exercise within your business, please contact either myself or your engagement Partner, to discuss further.

**On the 6 April 2005 Gordon Brown launched his Child Trust Fund (CTF) initiative. This article has been compiled in order to provide ABG clients and contacts with some basic information on the much-publicised new Child Trust Fund:**

## How it works

The Child Trust Fund (CTF) is a long-term savings and investment account. This has been introduced by the government for the following reasons:

- Ensure every child has savings at age 18
- Teach the benefits of savings
- Help your child to understand personal finance

Every child born on or after 1 September 2002 is eligible as long as child benefit has been awarded for them; they are living in the UK; and are not subject to immigration controls. Crown Servants and British Forces Overseas (BFOS) also qualify.

The Government will make an initial payment, via a voucher, to all eligible children of at least £250. This could rise to at least £500 for families who receive full Child Tax Credit. The voucher must be used within 12 months of the issue date. If this is not invested the money will be placed in an account by the Inland Revenue.

A registered contact has control over the CTF however it belongs to the child. When the child turns 16 they can apply to take control, however they are not able to access the money until their 18th birthday.

The primary benefit is that no tax will be paid on the income or gain on the account. A maximum of £1,200 per year can be paid into the account by parents, family or friends. The government will make a further payment when the child turns 7, however the amount has not yet been established.

## Where to invest?

There are nearly 30 providers of CTF's that have been approved by the Inland Revenue. These include many "high street" names such as Abbey, Nationwide, HSBC and a CTF can even be bought through Sainsbury's!

ABG Financial Management Ltd, as an independent financial adviser, have access to the whole market and can recommend providers that are most suitable to individual needs.

If you have any questions please contact Peter Kelsey or your usual contact partner.



If you would like any further information on this subject, please contact Peter Kelsey on 020 7330 0102  
pkelsey@abgroup.co.uk  
or your contact partner.

## CLIENT FEATURE

## I couldn't have done it without ABG



As a small gesture of thanks I took Julie on her first ride on a Personal Watercraft, on a trip to the Isle of Wight. (I hadn't realised what a speed freak she was!!).

**Certain events brought me to a time in my career where I really needed to sit back and look at where I wanted to go with it - I had been the MD for seven years of a successful retail store which specialised in the sale of Personal Watercraft and accessories. I had been involved in this industry for many years and worked my way up from a casual employee to managing director and small shareholder of what is now the country's leading Personal Watercraft outlet - life therefore felt safe and comfortable. It was only when a few things changed around me that I really started to question myself. I seemed to be stuck in a rut.**

My first problem was that I wasn't clear on the direction I should go; do I have a total career change or attempt a management buy out of the whole company? After various preliminary conversations with Paul Berlyn and Julie Piper, Julie suggested I should have a meeting with Martin Hofman who was described to me as a business solutions consultant. To be honest, I was a little sceptical going into this meeting. He knew nothing about me, my situation or even the industry I was in. How wrong I was! It was so beneficial, he worked me through all my thoughts, questioning my motives and goals, and untangled all my dilemmas. I left the room with confidence and a clear direction. I was going to attempt to become the sole shareholder of Watercraft World.

With Paul knowing our business, my next step was for him to prepare a guideline proposal, so both sides had something to work from, not an easy task as our business is very unique and not easy to value.

However, he did an excellent job, fair to all parties and therefore it didn't take long for an agreement to be reached.

The next stage was the worst part, making what was agreed in principle legal. The involvement of the solicitors lengthened the whole process with lots of legal problems and queries being raised, all necessary from a legal point of view, but very stressful and worrying. Paul again helped me, and guided me through it all, regularly solving both sides solicitors problems.

During the proceeding months both Paul and Julie helped me with the forecasts and planning needed, and became the voice of reassurance whenever I started panicking over a problem.

I am now proud to say that at 12.28 on 28th April 2005, all documents were signed and I became the sole owner of Watercraft World. I don't expect the next few years to be easy, but I now have a new goal to achieve, to show myself that I can make it work.

Something that I am certain of is that it wouldn't have happened without the help and support of ABG, and particularly Paul, Julie and Martin. Their services go over and above your expectations, and can't be praised enough.

If you would like any further information on personal watercraft, please contact Nigel Kershaw, MD of Water Craft World Limited  
Tel 01329 826622



If you would like any further information on this subject, please contact Paul Berlyn on 020 7330 0004 pberlyn@abgggroup.co.uk or your contact partner.

**The Charity Commission published the revised Statement of Recommended Practice: Accounting and Reporting for Charities (SORP) in March 2005. The updated recommendations apply to accounting periods beginning on or after 1st April 2005, although the Commission is encouraging its use as early as possible.**

The SORP applies to charities' preparing accrual accounts that are required to give a 'true and fair view'. Charities exempt from a statutory audit requirement (currently those with income or expenditure of less than £250,000) are able to adopt a more flexible approach when presenting their Statement of Financial Activities. They also have to give significantly less information in both their Trustees' Annual Report and the notes accompanying their accounts. The SORP doesn't apply to small charities that prepare receipts and payments accounts.

The SORP provides an authoritative guide to using the accounting standards for charities' and gives specific advice on how to account for transactions which occur in the charity sector. The aim is to provide a consistent framework in the way charity accounts are prepared. It applies to all charities in the UK unless a more specific SORP applies - such as those for Universities or Registered Social Landlords.

The revised SORP builds on the foundations of the previous version - updating guidance for new accounting standards and taking on board new developments in reporting practice. It helps charities explain what they aim to do, how they go about it and what they achieve, pulling together both narrative and financial reporting into a coherent package. Both the research and input from the sector and the SORP Committee have been central to developing this SORP.

**Key revisions include:**

- a new approach to the presentation of the trustees' annual report, stressing the reporting of activities and performance against objectives
- an emphasis in the Statement of Financial Activities on the disclosure of the activities, services, programmes and projects undertaken
- improved guidance on when transactions are recognised
- accounting guidance for new developments such as programme related investments and total return on investments; and
- disclosure of grants made to institutions based on materiality principles.

**Examination Successes at ABG**

Congratulations to **Zarka** who has passed the final 2 papers of the professional stage. Congratulations also to **Jas, Ralitzka** and **Vani** who all passed the AA and FR papers of the professional stage. In addition, **Vinu** passed 2 papers of his CIMA exams.

**The ABG Mission**

“It is the purpose of this firm to provide imaginative, timely and quality solutions to our clients’ tax, financial and business problems.”

## Childcare vouchers

**Detailed below is an illustration of how you and your employees may be better off as a result of offering childcare vouchers by way of a salary sacrifice.**

Employees are entitled to up to £50 per week in childcare vouchers and the provision of such vouchers is tax and NIC-free for the employee and NIC-free for the employer.

To give your employee £50 cash to spend on childcare costs you more than £84, when you consider tax and the employee and employer NICs. The figure for an employee paying tax at 40% is more than £95. If, instead, you agreed a salary sacrifice with your employee, reducing his or her salary by £50 per week in exchange for a childcare voucher for £50 per week, your cost would reduce to £50 - saving you between £34 and £45 a week.

Employees need to take advice where a sacrifice might affect their entitlement to such things as current or future state benefits and tax credits. However, keeping your employees happy by giving them a choice of 'benefits' and help with childcare could lock experienced people into your business and save you money.

Talk to us about how salary sacrifice might benefit your employees and your business.



- ACCOUNTING
- AUDITS & SPECIALIST AUDITS
- TAXATION & TAX PLANNING
- STRATEGIC PLANNING
- BENCHMARKING
- IT CONSULTANCY
- OUTSOURCED ACCOUNTING
- BANKING ADVICE
- COMPANY SECRETARIAL SERVICES



- ANNUITIES AND INCOME DRAWDOWN
- LIFE, TERM AND CRITICAL ILLNESS COVER
- GROUP HEALTH SCHEMES
- MORTGAGES
- INHERITANCE TAX PLANNING
- PENSIONS PERSONAL AND CORPORATE
- TAX EFFICIENT INVESTMENTS
- STAKEHOLDER PENSIONS Regulated by the Financial Services Authority



- MANAGEMENT SKILLS
- BUSINESS AND FINANCIAL SKILLS
- PERSONAL DEVELOPMENT
- ONE-TO-ONE COACHING
- INVESTORS IN PEOPLE



- MERGERS AND ACQUISITIONS
- DUE DILIGENCE INVESTIGATIONS
- BUSINESS DISPOSALS
- BUSINESS PLANS
- CASH MANAGEMENT, INCLUDING THE PREPARATION OF BUDGETED AND FORECAST INFORMATION
- RAISING FINANCE
- CORPORATE RESTRUCTURING



- MARKETING STRATEGY
- RESEARCH
- COMMUNICATIONS
- CONTENT
- BUSINESS DEVELOPMENT
- MARKETING RECRUITMENT



- INSURANCE AUDITS & REVIEWS
- ALTERNATIVE INSURANCE ADVICE INCLUDING CAPTIVE INSURANCE COMPANIES AND PROTECTED CELL CAPTIVES
- CLAIMS REVIEWS
- INSURANCE INTERMEDIARY REVIEWS AND ADVICE