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SHIPSHAPE

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July 2006

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DON'T PANIC!

Szechenyi Chain Bridge, Budapest

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Managing Principal John McCuin explains the benefits of Shipleys' membership of AGN.

International benefits

Last month we had a very successful meeting of the European members of AGN in Budapest. It was the best-attended meeting we have ever had, with 120 people from 26 countries.

I chose this occasion to step down as Chairman of AGN International-Europe Ltd because, after four years in the post, I felt that we had completed the re-structuring of the organisation we embarked on in 2002 to the satisfaction of members. I shall, however, continue as a director and as Chairman of the Committee on Audit, Accountancy and Member Review.

Why am I telling you all this? Because I want to emphasise our firm commitment to AGN in Europe and worldwide, despite having had to drop the prefix 'AGN' from our name and my decision to hand over as European Chairman.

> ***"I want to emphasise our commitment to AGN in Europe and worldwide"***

Our commitment

We believe that a firm of our size should be an active member of an international association because it benefits our clients and our staff.

A high proportion of our clients do business overseas. They may not have a physical presence in other countries, but they have customers or suppliers there.

At Shipleys our awareness and knowledge of the business environment in other countries has been much enhanced by our membership of AGN, but we cannot pretend to have the expertise to advise our clients on how to do business outside the UK. However, we can introduce our clients to AGN members who do have that expertise, and we can do so with confidence.

We often know the individual members concerned personally, having met them or dealt with them on previous occasions. If we don't know them personally we can rely on AGN's rigorous review of its membership to ensure that our clients will receive the service they are looking for.

AGN in practice

Our regular interaction with other AGN members works both ways, of course, as we are often asked to help their clients in the UK.

At present, for example, we are helping an Australian company to set up a UK subsidiary to handle a major construction project in London, and we have also been able to help the Australian manager who has come to control the project with appropriate visas for himself and his family, and with personal tax advice.

Working the other way around, AGN colleagues in China were put in touch with one of our clients seeking to source a cheaper supply of chemicals for their business. And an AGN member firm in New York is now filing US tax returns for a UK seller of specialised investment schemes which has been successful in penetrating the US market.

Staff benefits

Our staff widen their knowledge and awareness by participating in AGN meetings and research projects.

At the Budapest meeting, for example, three of my Shipleys colleagues gave up their weekend to attend, including Nancy Cruickshanks, our senior VAT consultant, and Business Development Director Stuart Dey who made a joint presentation at the very well-attended tax session.

If you would like an introduction to an AGN colleague please ask your usual Shipleys contact.

Trusts and inheritance tax

A (partial) victory for common sense

After two months of adamant refusal to accept that there was anything objectionable in his proposals on trusts and inheritance tax, the Chancellor has bowed to the combined onslaught of accountants, lawyers and the press and tacitly admitted the Budget proposals were misguided.

Nevertheless, most of the proposals affecting lifetime trusts, those not set up by a Will or under the law of intestacy, remain unaltered. The important amendments to the Finance Bill affect trusts which arise under a Will or on intestacy.

An interest in possession (right to income) left to a surviving spouse will now enjoy the same inheritance tax exemption as an absolute interest (as was the case before the March Budget), without any restrictions as to the interests of successive beneficiaries.

Accumulation & maintenance trusts

There are also amendments affecting such trusts established under a Will or intestacy for the benefit of children of the deceased, and pre-Budget trusts that satisfy the conditions by 5 April 2008.

Such trusts will not be taxed like discretionary trusts if the beneficiaries become entitled to the income at 18 and to the capital not later than 25. Thus, if a surviving spouse's interest in possession ends in his or her lifetime, after which the trust property is held for the children until they are 25, there will be no inheritance tax payable at that stage (but it will be payable if the surviving spouse dies within seven years), nor on a child getting the capital at 18. But if capital entitlement is deferred until age 25, an exit charge at up to 4.2% will be payable.

Other trusts

There is no change to the provisions affecting other accumulation & maintenance trusts, which are often used for the settlor's children or grandchildren, giving the beneficiaries the right to the income from the settled property at 25 or earlier but deferring capital entitlement until later. They are protected from the changes, but only if the trusts make the beneficiaries absolutely entitled at 18, with existing trusts having until 5 April 2008 to change.

Otherwise such trusts will be taxed like discretionary trusts. That is, there will be inheritance tax payable at the outset at up to 20%, with further tax if the settlor dies within seven years. And tax at up to 6% will be payable every ten years, and on property leaving the trust at up to 5.85%.

The same tax regime will apply to property settled after 21 March 2006 on 'interest in possession' trusts in the settlor's lifetime, even if the beneficiary entitled to the income is the settlor's spouse or the settlor himself, and also to any variation to pre-Budget 'interest in possession' trusts, if varied after 5 April 2008.

Life policy premiums

The only relaxation affecting interest in possession trusts concerns premiums paid on pre-Budget life policies. At first HM Revenue & Customs said that premiums paid after 21 March 2006 on pre-Budget Day life policies written in trust were not affected by the Budget. In fact there is nothing to support this in the Finance Bill.

But an amendment is to be made that reflects that assertion. In effect it will extend the same status to any benefits derived from premiums paid after 21 March 2006 as to benefits derived from earlier premiums, provided that any variation to the policy or premiums is part of the pre-Budget Day contract terms.

Disabled person's interest

One other amendment extends the definition of a disabled person's interest, which continues to be treated as part of the beneficiary's estate for the purposes of inheritance tax, unlike ordinary interests in possession trusts established after 21 March 2006.

A new section extends this to cases where an individual settles property for his own benefit when he has 'a condition that it was at that time reasonable to expect would have' led to him becoming 'disabled'.

Unintended consequences

The Chancellor's partial climb down on trusts and inheritance tax will avoid some of the unintended consequences of his original proposals. His avowed determination to clamp down on tax avoidance seems to have blinded him to the fact that the purpose of many trusts is to protect the interests of children and other dependants, not to avoid tax.

The unintended consequences of tax legislation have a long history. In 1696, for example, the window tax was introduced to replace the hearth tax. It was intended to be easier to levy because it was possible to count the number of windows in a house from the outside. The consequence was, of course, that people bricked up windows to reduce their liability to tax. As the window tax was levied in various forms until 1851, the evidence of this unintended consequence can still be seen today.

The current Finance Bill threatens further unintended consequences. The new rules for trusts will persuade many to pass money to the young at an earlier age than is wise, rather than pay tax.

The new pre-owned assets regime is a scatter-gun approach to anti-avoidance, inspired by the few who indulge in cunning tax schemes, under which there will be many innocent victims. And the Government has certainly not thought through the implications of changing the filing dates for tax returns. Both these topics are covered in Tax News on pages four and five of this issue of *Shipshape*.

Sorry about this!

When we became a Limited Liability Partnership (LLP) in May we sent out 4,000 letters to notify clients and suppliers that the terms on which they had done business with the previous AGN Shipleys would be transferred to the new Shipleys LLP.

Now we are facing another, even bigger, bureaucratic exercise. By 31 October, to comply with our professional Institute's guidelines and accepted best practice, we have to write again to all our clients to clarify our terms of engagement in much greater detail, and often at much greater length. We apologise in advance for the extra paperwork!

Many of the items in this section refer to provisions of the Finance Bill, which will probably receive Royal Assent in mid-July, but will be subject to change during parliamentary debate. Please check on the up-to-date position with your usual Shipleys contact if you think that these measures may affect you or your business.

Pensions and IHT

The Finance Bill clarifies how and when there will be an IHT (inheritance tax) charge on a pension fund.

Where a member of a registered pension scheme defers drawing his pension before he reaches 75 and dies within two years, there will be an IHT charge unless it is shown that the deferral was at a time when he had no reason to believe that he would die within that two year period, and then only to the extent that the fund does not go to a 'relevant dependant' or charity. A 'relevant dependant' is a spouse or civil partner, or someone financially dependent on the member.

Where a member of a registered pension scheme defers drawing his pension after he reaches 75 and has an 'alternatively secured pension fund' immediately before his death, the fund less any part applied within six months in providing pension benefits for relevant dependants or paid to charity is subject to IHT as part of the member's estate.

Where a member's dependant subsequently dies with a pension fund derived from the member, IHT is charged equal to the extra amount that would have been payable had the fund been added to the member's estate, but adopting the rates (and nil rate band) prevailing at the date of the dependant's death.

Thus, if the dependant is the member's widow, and he had left his estate entirely to her, and the nil rate band on the widow's death is £325,000, the IHT payable on the pension fund at her death would be 40% of the excess over £325,000, without affecting the availability of the nil rate band to her free estate.

Drafting error?

The Finance Bill proposes no relaxation in the pre-owned asset regime (see previous articles in *Shipshape*). It purports to reflect the change announced in December 2005 which was said to counter avoidance of the charge by using the existing revertor to settlor inheritance tax (IHT) exemption. As drafted, the Finance Bill appears to work if the individual avoids the pre-owned asset charge by electing to treat the asset as still within his estate for IHT purposes. But if he doesn't do so, an unjustified income tax charge can arise in quite different circumstances to those at which the proposal is aimed.

A fuller explanation

Use of a reversion to settlor trust was an early recommended solution to the pre-owned asset charge arising in the twin-trust scheme. Typically, it was suggested that the trustees of Trust No.2 would appoint the loan to a beneficiary. The beneficiary could then settle it on Trust No.1 on reversion to settlor terms. The result, before 5 December 2005, was that the full value of the house in Trust No.1 was in the pre-owner's estate, but IHT would only be chargeable on his death on the equity in the house, provided that the reversion to settlor exemption applied.

It was assumed that the provision flagged in the Pre-Budget Report would be aimed at such situations. But the Finance Bill goes much further. Even for a reversion to settlor trust, the new provision would not only apply where there would be an exemption as a consequence of those terms. It would continue to apply even if the settlor and widow(er) had died, and the reversion would be to someone completely different. It would also apply to trusts with no reversion to settlor terms.

Example

In 1990 Abel lent his widowed mother Eve the cash to enable her to buy her council house. Eve died in 2005 leaving her house in trust for Abel for life with remainder to her nephew.

Abel lives in the house, which has an annual rental value in excess of £5,000. As life tenant, he pays no rent.

The Finance Bill, as currently worded, would mean that, despite the house already being deemed to be part of Abel's estate for inheritance tax purposes, he would not be exempted from an income tax charge in respect of the pre-owned asset.

Now, suppose the same facts but Abel elects to treat the house as part of his estate for inheritance tax purposes before 31 January 2007. If such an election is made the income tax charge is avoided but there is no added inheritance tax burden.

Structured finance arrangements

The requirement for tax schemes to be registered with HM Revenue & Customs is leading to a quicker anti-avoidance response from the Government. On 6 June 2006 they announced that legislation, effective from that day, would be added to the Finance Bill to prevent avoidance of tax by the factoring of taxable receipts or the creation of tax-deductible expenses in return for a lump sum that is not taxed as income.

These are arrangements which, in economic terms and for accounting purposes, are secured loans, but where the legal form is that of a transfer of an asset subject to provisions under which the transferor will usually re-acquire control of it once payments have been made that equate to the amount needed to repay the consideration for the transfer together with interest.

The Government considers that such arrangements should be taxed in accordance with their economic substance rather than their legal form, and that it should not matter what the nature of the transferred asset is.

The legislation will ensure that the borrower is taxed as if he had entered into a normal loan at interest. Thus the factored income or receipts will still be treated as arising to the borrower, because the substance is that they are merely security for the loan. In schemes where expenses are generated they will not be allowed for tax purposes. Deductions will be allowed for any finance charge shown in the accounts.

The tax treatment of the lender will not be affected.

R&D tax relief

Companies' expenditure on R&D (Research & Development) in the form of staff costs, software and consumables, but not capital expenditure, may qualify for enhanced corporation tax relief. For small and medium companies tax relief is available on 150% of qualifying expenditure. For larger companies it is 125%. It is not available to sole traders and partnerships.

The R&D must be intended to increase scientific or technical knowledge and be related to the company's trade. The company must spend at least £10,000 on such R&D in the accounting period (proportionately less if this is under 12 months).

Tax relief may also be claimed on 100% of capital expenditure on R&D, but excluding the cost of land. This relief is available to sole traders and partnerships as well as companies.

Tax returns

The Government was proposing that the filing date for individuals' and trusts' tax returns to be brought forward, to 30 November for those filed online, and 30 September otherwise, from 2008. Now, as a result of the concerted campaign led by accountants, the Government is reviewing this provision.

No mention has been made of changing the 31 January deadline for tax payments. If the filing deadlines are brought forward, but the payment date remains the same, it would make a nonsense of the penalties for late filing.

It would be consistent for the payment deadline to be brought forward if the filing dates are, but this would mean taxpayers having to make their payments two months earlier than at present (and just before Christmas!).

Employees' road fuel

Employees who are provided with fuel for their company cars may often be better off if they buy their own petrol or diesel, rather than pay tax on the benefit, and then claim reimbursement for fuel on business mileage, especially if their employer recognises the change.

Please let your usual Shipleys contact know if you are interested in a cost benefit analysis.

VAT

Financial Services

The Abbey recently had an important win in the European Court regarding the scope of the VAT exemption for management of special investment funds.

The relevant European law from which UK VAT law derives refers to the 'management of special investment funds as defined by member states'.

UK Customs assumed that 'as defined by member states' applied to both 'management' and 'special investment funds' and used this to deny exemption to service companies providing management services on a subcontract basis.

The Abbey case has shown that the discretion of member states is confined to determining which special investment funds should be within the exemption. The term 'management' has its own independent meaning in Community law that cannot be altered by member states.

So in the UK the 'management' of OEICs and Unit Trust is and should always have been exempt, regardless of who performs the function.

Any client affected by this case should consider making a claim for refund of overpaid VAT. Please remember that claims for refund should take account of irrecoverable input VAT, the unjust enrichment provisions and the three year cap (subject to the comments below).

Three year cap

Ever since the three year cap was introduced there has been a long list of cases challenging its validity. The main case was Marks & Spencer which determined that a transitional period should have been allowed when the cap was introduced.

The response from Customs was to allow a retrospective transitional period, but this too has been challenged and found by the Court of Appeal to be inadequate (see Michael Fleming, trading as Bodycraft). The House of Lords will consider the matter in due course, so it is not yet settled. Meanwhile, the Marks & Spencer case has been referred back to the European Court for further guidance.

So, pending the outcome of these cases, any business that has been adversely affected by the three year cap should consider lodging a protective claim going as far back as possible.

Business Cars

Readers may recall the valiant, but ultimately unsuccessful, attempt by Mr Upton, trading as Fagomatic, to challenge the UK's block on input VAT recovery when he bought a Lamborghini for his business.

His case failed because UK VAT law requires the car to be used 100% for business use and unavailable for private use. Although his car was used 100% for business he could not rebut the assertion that the car was available for private use.

More recently a taxpayer called Elm Milk Ltd has been more successful, having won in Tribunal, High Court and Court of Appeal. The company bought a car that was to be used 100% for business purposes by one of its directors and it was made a condition of his contract that he should not use the car for private use.

The courts have been willing to accept that this type of legal barrier to private use is effective, much to the dismay of Customs who will no doubt seek leave to appeal to the House of Lords.

For further information on the above, or other VAT issues, please talk to your usual Shipleys contact or to Nancy Cruickshanks, our senior VAT consultant,
T: 020 7312 6526,
E: cruickshanksn@shipleys.com

Adding value to the audit

At Shipleys we, and some of our clients, have now had our first experiences of the new International Accounting Standards (IAS) which apply to audits from December 2005 year ends onwards.

There have been estimates within the profession that audit costs will rise by up to 20% as a result of the new IAS. Although audit fees will inevitably rise because of the extra work we have to do, clients can mitigate the rise by helping to ensure that the audit runs smoothly.

Pre-audit planning

One of the requirements of the new IAS is for enhanced audit planning, before we arrive on site to conduct the audit. We need to understand a client's business thoroughly, and identify risk areas before looking at the records. This involves detailed discussion with our clients about business plans, competitors, and the risks faced by their businesses.

Clients should facilitate this process by providing draft or management accounts and schedules in advance of the audit. These should include schedules showing how the figures in the Profit & Loss accounts relating to disclosure items and tax disallowables have been calculated, plus any figures which have changed dramatically since the previous year, and the make-up of balance sheet items.

In addition, clients should document their own systems and procedures (which is also helpful internally for new staff).

For most clients this means supplying more information, and earlier, than in the past, but it will be of benefit in ensuring that the audit can be conducted efficiently.

Extra work

Under the new standards the additional work that has to be undertaken by auditors includes emphasis on full documentation of client systems, 'walk-through' tests to examine transactions to see if the stated processes have been applied, and a review of system controls.

This work adds to the cost of the audit, but the purpose of the new standards is to improve the audit and so add value to your business.

In an early survey of how the new standards are operating in practice the Institute of Chartered Accountants in England and Wales found that some of the benefits had already been felt, with clients appreciating, for example, the additional analysis required by the risk and fraud IAS which had identified how their systems could be made more secure. The changes had also revealed some redundant procedures and documentation which could be replaced with more effective tests.

Review audit needs

One of the best ways for some clients to reduce the cost of an audit is not to have one.

If your company has a sales turnover of less than £5.6 million, and a balance sheet total of no more than £2.8 million, it is exempt from the statutory audit requirement, although audits are still required for companies in some regulated industries and some companies which are part of a group.

Many exempt companies do choose to have their accounts audited, for very good reasons such as providing information to their bank, for better quality management controls, or to meet the needs of creditors. But if you qualify for audit exemption, and think that you can manage without, do please talk to us about the options.

Pensions black holes

Many final salary pension schemes are seriously underfunded. In the past any such 'black holes' had to be disclosed in a note to the company's accounts, and so did not affect the bottom line.

Now, under the terms of FRS17, and for accounting periods beginning on or after 1 January 2005, any such shortfall in a pension scheme has to be charged in the Profit & Loss account, and so may create or contribute to a loss which will adversely affect the balance sheet.

This gives rise to a risk that some companies, which are otherwise trading well, may become insolvent. It may be a criminal offence for the directors of a company to allow it to continue trading when insolvent.

Investing in flats

Many of our clients invest in residential property, as buy-to-let or as part of their long term pension planning.

Where flats are concerned it is quite common for the same company to own the freehold of a block of flats and to manage the property on behalf of the lessees. The company, whose members/shareholders are often the lessees, will fulfil two roles. It will receive ground rents as freeholder, and it will collect the lessees' contributions towards maintenance and disburse these, or retain them in a sinking fund, as appropriate.

The accounts of the company should distinguish the amounts received in the two roles, though this is not always done in practice.

The ground rents are received as principal, and are subject to corporation tax. If, as is often the case, the lessees are the members of the company, it will be a close investment company, and any profits will be subject to corporation tax at 30%.

The maintenance contributions, on the other hand, are received as trustee, and are not subject to tax.

Any interest arising on funds held by the management company as trustee is subject to income tax at 40%, but funds held by a 'relevant housing body', eg local authority, registered social landlord, charitable housing trust etc will be exempt from 2006/07 onwards.

Investors should review the accounts of management companies with which they are involved and check that the company has properly distinguished between the two forms of income.

CLIENT NEWS

Buffalo Communications

Thirteen years ago, with a degree in modern languages and information systems, Kerry Hallard faced a common graduate dilemma: which route to take for an interesting and satisfying career? She was fortunate in receiving good advice from a friend, who told her that her personality and communication skills were ideal for a career in public relations. Kerry joined the IT specialist PR consultancy Firefly, and hasn't looked back.

Kerry is now the Managing Director and majority shareholder in Buffalo Communications, originally an offshoot of Firefly. Kerry led a management buyout in 1998, and since then she has widened both her own and the company's horizons.

Buffalo now provides a full communications management consultancy service on a pan-European basis. It has broadened its client portfolio from being focused on the high-tech sector to encompass business-to-business, telecoms, new media, consumer-tech, outsourcing, professional services and property, and has developed services specifically aimed at the SME sector.

Based in Soho, the Buffalo team of communications experts focuses on 'results not activity' and, very unusually in this business, offers clients the option of payment on results.

The dot.com crash

It hasn't all been easy. Buffalo was hit badly by the dot.com crash of 2001. "Looking back, we were lucky to survive," says Kerry. "But it did prompt us to diversify, and to re-think our service offering. We now concentrate more on the longer-term and broader development of the perception of our clients, and not just through the media. Our perception studies give clients a more tangible return than merely counting column inches."

To broaden her own perspectives Kerry studied for an MBA at Kingston Business School, and is in no doubt that the most valuable outcome for her

Kerry Hallard

personally was the opportunity to study and analyse methods of measuring the business value of PR for her dissertation, as this has subsequently informed her thinking and business approach.

The next project

In September Kerry is going on a Trade Mission to China. Although some of the international PR companies have established offices there, they are concentrating on helping their Western clients to do business in China, while Kerry sees opportunities to help Chinese companies market their products in Europe.

"The evidence indicates that few Chinese businesses know how to sell themselves and their products outside China", explains Kerry. "They trade through third parties because they don't understand current marketing methods and expectations here, particularly with regard to branding. So it will be an educational mission at first, but if we can start to help companies in practical ways we shall have opened up a huge potential market for Buffalo."

Off duty

Kerry lives in Wimbledon with her husband, Martin Nieri, and an excitable Weimaraner called Frankie. Martin runs an advertising agency and, as though they didn't have enough to do, he and Kerry have a bought a property in the Algarve which they are converting into a boutique hotel. Needless to say, this is not a one-off venture; Kerry and Martin intend it to be the first of a chain.

For further information see www.buffalo.co.uk or contact Kerry Hallard, telephone 020 7292 8680.

New producers

Shipleys is to participate in a new training scheme to provide up-and-coming film producers with the business acumen and market understanding to develop, finance and sell successful British films.

The Producer Training Programme (PTP) has been established by Skillset, the sector skills council for the audio-visual industries, in collaboration with Samuelson Productions. It is intended to give a career boost to people who already have a certain amount of knowledge and experience of film production, and to broaden their business perspectives.

The nine-month course is limited to eight trainees in its first year (2006/07), who will be paid a living allowance to enable them to participate. This year's course is already fully subscribed.

"Producing the film is only one third of the job: the other two thirds are marketing and understanding the numbers", explains Michael Kuhn, Chairman of Qwerty Films.

One of the most important elements of the PTP will be the individual secondments to key industry players, and this is where Shipleys comes in. Each trainee will be seconded to Shipleys during the course, and will learn about the financial aspects of the film industry.

"Financing and accounting for films can be somewhat complicated," explains Ken Roberts, lead Principal of Shipleys' specialist Media Division. "Improving the understanding of young producers will undoubtedly benefit the industry, and that is why we are so pleased to be involved with this innovative and practical scheme."

Another film award

Congratulations to director Andrea Arnold who won the Jury Prize at the Cannes Film Festival for her debut feature film *Red Road*.

Andrea won an OSCAR for her short film *Wasp* at last year's Academy Awards, as we noted in *Shipshape* in our article on Screen South, the regional screen agency which has supported Andrea in developing her career and had already recognised her filmmaking talent.

MONEY MATTERS

Don't Panic!

That's the message from Tor Consulting, at a time when recent market volatility has demonstrated to investors the risks associated with holding equities. After a period of rising markets investors have again been reminded that markets do go down as well as up. So what is the right thing to do?

The answer to this question depends on your own financial circumstances, attitude to risk and your age. A 30 year old investing in a personal pension plan and anticipating taking benefits at age 60, for example, clearly has a much longer time horizon than a 58 year old with similar objectives.

As a result the younger member has a greater capacity, in theory, to take an investment risk. Whether this means a more aggressive risk strategy will depend on personal preferences. If you are likely to have sleepless nights at times when the markets fall, your attitude to risk is lower than someone who takes such things in his or her stride.

Managing risk

Risk can be managed, and often reduced, by diversification. This takes two basic forms. Firstly, through investing in a range of different asset classes, such as UK equities, fixed interest securities, cash and property funds. The basic idea here is that it is very unusual for all asset classes to rise or fall in the same way at the same time. The second way risk can usually be reduced is by diversifying within an asset class, for example a range of shares (perhaps using a unit trust or similar), rather than simply buying shares in just one company.

It is also worth remembering that, if you are making regular contributions to a pension or investment plan and can take a long term view, falling prices can be good news as you will purchase more for your money! Of course, this is only the case if the investment eventually performs well, and equity investment should generally be considered as being for the long term.

As an investor gets nearer to taking benefits from a pension plan, it is usually prudent to move into lower risk assets, to reduce exposure to a significant fall in values. This is when a paper loss will become very real. There could be a significant effect on the level of income available in retirement if the pension plan falls in value at the 'wrong' time.

A well thought-out investment strategy, regularly reviewed in the light of market developments and changes in personal circumstances, can turn the challenge of market volatility into an opportunity.

For further information, or to arrange a consultation, please contact Tor Consulting Ltd on 020 7306 0026 and speak to either Julian Hawkes (E: hawkesj@tor.uk.com) or June Cross (E: crossj@tor.uk.com).

This article is for general information only and does not constitute investment advice.

The value of investments, and the income deriving from them, can go down as well as up. You may not get back the amount originally invested. The value of any pension plan can also be affected by changes in relevant pension and tax regulations.

Tor Consulting Ltd is a joint venture with Shipleys LLP and is an Independent Financial Adviser authorised and regulated by the Financial Services Authority.

Home-grown talent

Congratulations to Tanya McKnight and Peter Ellis (pictured below) who have recently been promoted to become Assistant Managers, and to Joe Kinton and Rajiv Patel who were promoted in January.

All four trained and qualified with Shipleys. Joe Kinton won First Place and the Spicer & Pegler Prize for the Accounting paper in his first professional examination in 2001.

Understanding the numbers

By popular demand Stuart Dey, Shipleys Business Development Director, has made a second presentation to members of the Professional Marketing Services Group on 'Understanding the numbers: an insight into what the partners care about'.

Stuart's presentation examines the financial expectations and disciplines of partners in a variety of professional practices, not just accountants.

"I was surprised, on both occasions, that some quite senior marketing professionals had only a rudimentary familiarity with some of the basic principles, and didn't really understand what drives profit", says Stuart. "The Q&A sessions demonstrated that the leverage of staff time in services firms was a bit of a mystery to many people.

"Marketing professionals can't expect to succeed if they can't talk the same language as their partners, and understand their needs. I suspect that I may be asked to do the presentation yet again, because there is obviously a knowledge gap here."

Detailed advice should be obtained before taking action, or refraining from taking action, as a result of information in this newsletter.

Shipleys LLP is not authorised by the Financial Services Authority but we are able in certain circumstances to offer a limited range of investment services because we are licensed by the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide.