FINANCE DIRECTORS' UPDATE

Winter 2015/16

Bishop Fleming

Accounting update for corporate businesses

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Ready for take-off

Corporate deal flow is increasing as the appetite for financing returns.

Our team, one of the largest in the region, has completed over 30 deals with a combined value of over £200m over the last 12 months.

But we do not see it stopping there. We are helping more and more clients achieve their long term business objectives through acquisitions, fundraisings and disposals.

The improving availability of funding is contributing significantly to the upturn in deal flow. Charles Davey, Corporate Finance Director at Bishop Fleming and former Director of Structured Finance in the South West and South Wales for NatWest comments: "With banks now demonstrating a strong appetite for new lending and a buoyant private equity community in the South West, it has certainly become easier to raise finance for business.

"There are no accurate statistics on the number of refinancing deals because they are often not publicised, but anecdotal evidence suggests a definite upturn. I have witnessed this trend from inside a major bank and now, in my new role".

Bishop Fleming is advising on a growing number of fundraising and refinancing transactions. Recent deals have included Draco Pub Company, Cannon Care Homes and Warrens Bakery.

Traditional funding sources are now being augmented by new banks, asset-based lenders and the new wave of debt and equity crowd-funding – all offering wider options than before. This market shift means that funders have become far more inventive with their solutions meaning that it is no longer a loan to value, asset security environment.

Whether approaching traditional funders or those new players, the key rules are:

- Present a balanced proposal;
- Demonstrate historic financial performance and highlight key trends;
- Provide robust financial projections based upon realistic assumptions that can withstand scrutiny;
- Management Information and relevant Key Performance Indicators are crucial to any business and are a 'must' for any funder.

Funders invest a lot of time in understanding the business and make decisions based upon forecasts and their acquired knowledge, so qualitative management information and regular open dialogue enables them to remain current with the business (which will change) and therefore can be a more pro-active partner which will lead to a better long term relationship.

All too often, companies seek refinancing because their relationship with their incumbent bank has become strained. This can be a simple case of the bank lacking understanding of the business and its key drivers rather than a trading issue.

Before making that change, it is worth working with a professional advisor to explore whether things can be improved with an existing funder. That professional partnership can establish whether it is better to restore and rebuild the relationship with an existing lender, who should know about the business, or make the change to a new funder.

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To find out more, please visit: www.bishopfleming.co.uk/corporate-finance

The Chancellor's apprentice

Employers face an extra tax on their payroll from April 2017, following the Chancellor's Autumn Statement announcement to charge an apprenticeship levy.

A new apprenticeship levy of 0.5% of an employer's wage bill is expected to raise £3bn a year to fund 3m apprenticeships by 2020. It will be collected through the PAYE system.

To ensure the new levy is targeted at larger employers only, there will be a threshold of £15,000 before any payment has to be made, so only employers with pay bills of £3m or more (excluding benefits in kind) will actually pay. The levy will apply irrespective of whether or not an employer engages apprentices.

Even though only larger employers will pay the levy, all employers (even those not paying the levy) will be able to access the pooled funds.

A regulator will be set up to monitor the quality of apprenticeships and advise on the level of funding each apprenticeship should receive. In addition, the term 'apprenticeship' will have the same legal standing as a degree and from April 2016 employer national insurance contributions for apprentices under the age of 25 will be abolished.

The levy could lead to businesses abandoning other training schemes, including graduate programmes because of the subsidy linked to apprenticeships. It could also affect wage growth and job creation as mid-tier employers attempt to avoid the £3m payroll threshold that triggers the levy.

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Will you have to pay tax...early?

Large UK companies face having to pay their tax much sooner, if government plans go ahead.

For accounting periods starting on or after 1 April 2017, companies with annual taxable profits of £20m or more will find they are paying their tax four months earlier than now.

Where a company is a member of a group, the £20m threshold will be divided by the number of companies in the group. Those companies which come under the new rules will be required to pay corporation tax in quarterly instalments in the third, sixth, ninth and twelfth months of their accounting period.

Under the current regime, companies with profits of £1.5m, pay corporation tax in quarterly instalments, in the seventh, tenth, twelfth and fifteenth month after the beginning of the accounting period.

The government claims that large UK companies currently pay their tax much later than in most other G7 countries, and later than most individuals. It argues that bringing forward the time each instalment is currently payable by four months will correct this anomaly. Draft rules will be published before the end of 2015 to be eventually included in Finance Act 2016.

Affected companies are going to have to look at new ways to manage their cashflow without sacrificing planned investment, especially in the transitional period.

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Don't you just love the EU...

...for creating such a confusing financial reporting landscape.

In an attempt to simplify accounting requirements and reduce the administrative burden for companies, the introduction of a new EU Directive in June 2013 and adoption into the Companies Act earlier this year has actually resulted in a very confused financial reporting landscape for small companies.

As detailed in previous updates, for accounting periods beginning on or after 1 January 2015, a new accounting standard FRS 102 is in place for medium and large companies which replaces all existing UK accounting standards.

What perhaps hasn't been appreciated is that there is also a significant change coming for small companies with regards to their financial reporting requirements. In the short term, small companies can continue to adopt the FRSSE, albeit companies will be following the newer FRSSE 2015 for accounting periods beginning on or after 1 January 2015.

From 1 January 2016 the FRSSE will be withdrawn and small companies will fall under the scope of FRS 102, meaning full recognition and measurement principles of FRS 102 will apply, but with a less extensive disclosure regime to medium and large companies.

Another change is an increase in the small company accounting thresholds meaning that from 1 January 2016, some medium sized companies could also take advantage of the reduced disclosure framework. Equally some small companies could fall under the new 'micro entity' accounting regime which would permit an even more simplified version of the statutory accounts being prepared.

With the removal of the filing of abbreviated accounts for both small and medium companies, finance teams will need to consider the financial reporting options available to them to ensure that they carefully manage the information available in the public domain.

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Two new grants...

Could your business be eligible?

If you are looking to invest in a capital project that is buildings or machinery related that will improve productivity and create new jobs, then it is worth considering if a grant can help. Two new schemes have been launched in the Midlands and South West that may be appropriate – the South West Growth Fund and the Worcestershire Growth Fund.

The £8.7m South West Growth Fund (SWGF) is run by a partnership comprising Plymouth University/GAIN, SWMAS Ltd, South West Water and Western Morning News. The fund is able to provide investment grants from £15,000 to £1m to small and medium sized enterprises throughout South West England and large companies within the Assisted Areas of South West England.

Target sectors include advanced engineering, marine, digital creative, environmental, manufacturing, food processing, electronics and pharmaceuticals. The proposed grant-funded project and resulting employment must be located within the South West region. This comprises the following local authority areas: Bath & North East Somerset, Bournemouth, Bristol, Cornwall, Devon, Dorset, Gloucestershire, Isles of Scilly, North Somerset, Plymouth, Poole, Somerset, South Gloucestershire, Swindon, Torbay, and Wiltshire.

The £2m Worcestershire Growth Fund is funded by the Worcestershire Local Enterprise Partnership through the Worcestershire Growth Deal and is open to SMEs and large companies, subject to State Aid regulations. Key target sectors include advanced manufacturing, agri-tech and cyber security & defence, but the fund will consider applications from other sectors. Grant levels range from £20,000 up to £100,000 at an intervention rate of up to 50%.

Both schemes will be awarded on a competitive basis to growing businesses that intend to make substantial new capital investments that will lead to quality, permanent job creation. Following a successful Expression of Interest, businesses are required to submit a business plan, application form and financial forecasts. These are all areas that the Bishop Fleming Grant Services team are experienced in helping clients with.

For further information please contact
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Or for more information about grant services, please visit:
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The power of pedal

We are delighted to have raised £27,500 for local charities by completing a 325 mile cycle challenge.

More than 100 Bishop Fleming staff provided the logistical support, including marshalling, food, water and first aid for 67 colleagues who rode the route that spanned all the firm's offices: Bath, Bristol, Exeter, Plymouth, Torquay, Truro and Worcester.

The Tour also received support from a number of Bishop Fleming clients including Ocean BMW who provided a motorcycle outrider, Rygor who provided a support vehicle, Paligap who provided nutrition products and Worcester University who provided support personnel not to mention the hundreds of clients who made a donation which helped us to exceed our £15,000 target.

Managing Partner, Matthew Lee commented, "It is a fantastic achievement by all concerned in organising and fundraising for the event and has been humbling seeing the commitment, dedication and enthusiasm that has been shown. Thank you from everyone at Bishop Fleming, together we raised over £27,500 for local charities".

For more information, please visit: www.bishopfleming.co.uk/tourofbf

Recent Deals

Bishop Fleming advised on over 30 deals with an aggregate value in excess of £200million within the last 12 months. Here is a selection of those transactions:

PWR Events - Business sale

Bishop Fleming advised the shareholders on the sale of PWR Events to global, multi-billion revenue media and entertainment group: WME IMG.

Succession Group - Acquisition

Bishop Fleming provided due diligence services on the £6.2m acquisition of Edinburgh Investment Consultants Ltd.

Draco - Fundraising

Bishop Fleming advised on £4 million refinancing and expansion capital raising from Barclays Bank.

For further information about our corporate finance deals, please visit www.bishopfleming.co.uk/deals

We are delighted to have been short-listed for two British Accountancy Awards.

Bishop Fleming have been short-listed for the "Mid-tier firm of the year" and "Top 50 Tax Team of the year"- awards run by Accountancy Age – the "bible" of the accountancy profession.

The Mid-Tier firm of the year is a contest for practices with a turnover of £3m to £25m that have demonstrated excellence in providing the highest quality of service to clients, to deliver significant competitive advantage. Bishop Fleming's Managing Partner, Matthew Lee, said: "We secured a short-listing by being able to demonstrate how we have added significant value to our clients across all service areas, with our services having been fundamental in enabling our clients to achieve their business goals."

The "Top 50 Tax Team of the year" award is designed to recognise tax advice that has delivered the greatest measurable benefit to clients. "Our short-listing for this award was based on the judges' view of how we have delivered innovation, a return on our clients' investment, the quality of our management of their tax matters, and the impact we have had on our clients' businesses", said Mr Lee.

STOP PRESS! We're delighted to announce that Bishop Fleming was 'highly commended' for the best UK mid-tier firm of the year.

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