Introduction to PwC Views – South West

Welcome to our quarter 3 newsletter.

Another summer has flown by (let’s hope the weather will improve!). Like many of you we have been particularly busy; with a number of new audits and advisory assignments which I feel reflects some of the confidence that we are now seeing in the region about the future and the economy. This was reinforced as we enjoyed a wonderful evening at our Business of the Year awards at the start of the summer with two local companies winning the awards – Devon Air Ambulance Trust and Bott Limited. This reinforces my passion about the great businesses we have based in the south west – congratulations to both and all the high quality entrants! We have also received an award with our local team winning the Transactions services team of the year at the South West dealmakers Award ceremony in July. Well done to Tom and his team – this reflects the quality of the team and the investment that Tom has made in the South West.

Looking forward, we have a number of events coming up this autumn including our annual accounting developments seminar (see below) and our annual Charity quiz night on 22 October. For those of you who are considering succession plans for your business we are hosting a succession seminar in Exeter during October which will cover structuring, financing and tax options. Invites will be coming out shortly for all these events but feel free to contact us if you wish to express your interest early.

In September we are welcoming six new graduates to join our existing team, many of whom are coming to us following their well-deserved summer holidays. I hope you have also managed to enjoy a break over the summer period with friends and family and have successfully recharged your batteries for the autumn.

Accounting hot topics

Accounting developments seminar

We are busy planning our annual accounting developments seminar at Buckfastleigh on 3 November 2015. As well as normal update on tax and pensions Kate Woods, national technical director, will be presenting on New GAAP – FRS 102.

Financial Reporting Lab publishes report on digital communication

For many companies, the annual report and results cycle remains the focus of reporting to investors. Increasingly this is supported by a wide range of other communication channels and tools.

In May 2015, the FRC’s Financial Reporting Lab published a project report on investors’ views on digital communication used by companies in corporate reporting. The report considers mechanisms for digital communication of corporate reporting information to investors, and investor views on them. A copy of the report can be downloaded from the FRL website.

Requirements to disclose more information on related undertakings

An exemption has existed under the Companies Act 2006, whereby if directors believed the disclosure of related undertaking was excessively lengthy, they could make disclosure only in respect of principal undertakings and provide full disclosure in the next annual return.

From July this exemption has been removed. This will mean that companies will be required to make full disclosure in the financial statements, regardless of the length of the note or materiality.

Accounting Briefing – latest addition now available

Accounting briefing is a free electronic newsletter providing a quarterly technical update. It focuses on the practical implications of recent developments and topical issues in UK GAAP.

The latest issue focuses on a number of aspects of the New UK GAAP, including the latest exposure drafts issued by the FRC, guidance on share based payments and interim reporting requirements.

For further details on New UK GAAP, contact our Plymouth Office team or visit our website or subscribe to the newsletter.

Taxation

2015 Summer Budget

Further reduction of corporation tax rates to 18% in the summer Budget means the UK continues to be an attractive place to do business. For more insight and what other Budget changes could mean for businesses in the Southwest see below and our webpage or contact Pippa Clarke: 07970 681604 or pippa.m.clarke@uk.pwc.com

Entrepreneurs & owner managed businesses

From April 2016 the Dividend Tax Credit will be replaced by a new £5,000 Dividend Tax Allowance, and new rates of tax on dividends will be introduced depending on your tax rate.

These changes reduce the incentive to take dividends and add complexity. Owner managers will need to consider how they extract cash from their businesses either side of April 2016. Transferring shares to ISAs and bringing forward dividend payments are options.

Property investors

Restriction to basic rate tax relief on buy to let mortgages will be phased in over four years from April 2017, so property investors may see net incomes fall. Some are considering investing through a limited company. Small landlords or would-be landlords may be put off investing in property, other landlords might try to pass the pain onto tenants.

Universities and charities

Universities and charities incurring qualifying R&D expenditure must make any Research & Development Expense Credit (RDEC) claims by 31 July 2017. From 1 August 2015 the expenditure will no longer qualify. This is potentially worth several million pounds to each university, given the amounts spent on R&D.

Employers

Employers will need to plan for the National Living Wage (NLW), Apprenticeship Levy and publication of Gender Pay Gap. From April 2016 NLW will apply for workers aged 25 and over at £7.20.

The Apprenticeship Levy will be levied on large employers to increase the number of apprenticeships. These changes will increase employment costs, offsetting the reduction in corporate tax rates announced for 2017 and 2020.
Business of the Year Awards 2015

The winners of the 2015 West of England Business of the Year Awards were announced at a gala dinner on 2 July 2015 in Bristol. Bott Limited were announced the West region business of the Year, business with turnover more than £30m. Devon Air Ambulance Trust were awarded the West region business of the Year, business with turnover less than £30m. Aster Group received a special community award for their contribution to the region.

Matthew Hammond, regional chairman for PwC in the West said:

“I would like to congratulate all the winners and all the finalists on behalf of the partners of PwC in the West. These awards are solely designed to celebrate the achievements and significant contribution of businesses based in the West. The independent panel of judges look for the best in class, businesses that demonstrate exceptional quality in all areas of their operation.”

“The judges tell me that 2015 was a particularly tough year in both categories due to the exceptional quality of the businesses in the final.”

The winners were announced at a gala dinner held at the Passenger Shed in Bristol, hosted by Ian Axton of ITV News West Country. Link

If you would like to be part of 2016 West of England Business of the Year Awards, please contact west.region.events@uk.pwc.com

Deal News

14 Deals completed on the last 6 months

Volume by sector

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<th>Sector</th>
<th>Volume</th>
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<tr>
<td>Financial</td>
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<tr>
<td>Technology</td>
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<tr>
<td>Health</td>
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<td>Retail</td>
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<tr>
<td>Energy</td>
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<td>Media</td>
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Year diligence

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<th>Description</th>
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<tr>
<td><code>Mergers and Acquisitions</code></td>
<td><code>In due diligence reports and negotiations, PwC has achieved full due diligence in a transaction with value of £500m.</code></td>
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<tr>
<td><code>Tax</code></td>
<td><code>PwC has completed tax planning to the value of £200m.</code></td>
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<tr>
<td><code>Due diligence</code></td>
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Volume by type of deal

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<thead>
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<th>Type of deal</th>
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<tr>
<td>Equity</td>
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<tr>
<td>Debt</td>
<td>4</td>
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Transaction Services Team of the Year

We’re delighted to congratulate our transaction services team in the West who picked up the award for team of the year at the South West Dealmakers Awards in July. The judges were pleased with the quality of all entries and the team shone through, with comments like “first class” “experienced team” and “providers of quality reports with value added insight”.

Tom Ayerst, who leads PwC’s Transaction Services team, said:

“It is a great honour to win this award. The nominations from the clients and advisors we worked with during the last 12 months are a great testament to the team’s experience and commitment to supporting the people we work with. Over the last 12 months we have worked on c.90 transactions supporting clients in the Private Equity, Corporates and the Public Sector.”

Efficient approaches to the valuation of a defined benefit pension

In our blog series we have considered efficiency in terms of reducing unnecessary cash contributions into the scheme. Efficiency can also be achieved by making full use of the latest technology advances.

An efficient management system will not only produce the necessary calculations to carry out the analysis required, it will do so instantly and with all parties working from the same page. Having different advisors need not mean having to have different systems. Modern, web-based technology now exists, with multi-party access that can make the process efficient and seamless. The frustrations of the past are now gone.

- You can now get instant answers to your questions.
- Valuation timescales are now measured in weeks, not months.
- You do not have to pay inordinate sums to your advisors to understand the impact of alternative approaches.
- Your actuary and your investment advisor can now use the same, joined up, calculation system.
- You no longer need to commission expensive asset-liability studies.
- The financial position of your pension scheme is no longer already weeks or months out of date once you have received it.
- It now takes days, not months, to get settlement pricing from the insurance market.

With the most efficient system you will be able to conduct your negotiations around the funding valuation in real time, with answers to questions being produced instantly and accurately. When entering a meeting to discuss possible outcomes of the scheme valuation you should have the confidence that that meeting will produce results there and then. Results that everyone - trustees' advisors and investment consultants included - can buy into. You should be able to do this and pay less than you have been paying in the past to your advisors.

Click here for more about how you can deal with your deficit and how all the above can be achieved using PwC’s unique technology platform, Skyval, on our webinar. For further information please contact Mark Packham on 0117 928 1199 or mark.packham@uk.pwc.com.

If you would like to find out more about any of the topics discussed in the newsletter, please contact:

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Other News

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