



THREE COUNTIES

Financial Management Services Limited

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New code of ethics for accountants

Members of the ICAEW will have a completely new professional code of ethics from September this year which will take into account changes in the provision of financial services advice and the introduction of the Insurance Mediation Directive. The updated code, which is already available on the ICAEW website, highlights the need for members to fully understand the nature of the referral they are making and whether or not their authorisation means they can actively make a referral or whether they are restricted to a more passive referral style by providing information only.

Section 241, Agencies and Referrals, highlights that referrals should only be made where the status of the investment adviser is compatible with the overarching requirement 'to give objective advice'. The code goes on in section 241.23 to clarify that referrals to independent advisers and whole of market advisers are both permitted as whole of market firms can be treated as 'equivalent' to independent firms. However referrals to multi tied advisers should only be made where the accountant believes that the investment adviser is tied to sufficient product providers that the advice given will not potentially be to the detriment of the client. It will be up to the accountant to clearly demonstrate that they have made this assessment and to inform the client of the restrictions in the advice that they will receive from the adviser.

Referrals to tied advisers remain, as before, strictly off limits.

Corporate Reserves on Deposit

In 2004 there were 4.5 million small business deposit accounts with a total of £40 billion invested in them. These accounts historically attract low rates of interest of around 2% with corporation tax paid on the interest as it arises.

Why are such large reserves on deposit?

Security - the company is confident that their money is held by a well established custodian bank and that the 'cash' investment will not fall in value.

Access - the company may require capital at short notice to support the business on a day to day basis.

Is there an alternative?

If a company has surplus cash reserves that are not required for the day to day running of the business, then an offshore bond may prove to be a more appropriate investment solution as it offers the following benefits:

- **The potential to outperform deposits** - available are a range of cash investments from instant access to 2 year fixed rates. An example of a 7 day notice account is 5.0%
- **Tax advantages** - as well as providing tax free growth, investing offshore offers valuable tax-deferral opportunities giving companies control over future tax planning.
- **Access** - if properly constructed there are no penalties to access capital at any time.

Further potential benefits

If, at the time of en-cashing the Offshore Bond, the company is making a trading loss through a large pension contribution or the purchase of new offices/plant machinery etc, the company may be able to bring the full value of the bond back into the UK without paying any corporation tax.

A Sporting Challenge

Wednesday 26th July was the inaugural 'Three Counties Sporting Challenge'! A cricket match was arranged between a Three Counties Select XI and a Professional Firms Invitational XI, drawing from cricket lovers in the professions from Northumberland, Tyne & Wear, Durham and Tees-side.



Three Counties Select XI



Professional Firms Invitational XI

Baking hot sunshine and the beautiful setting of Corbridge Cricket Club ensured that the basis for a hugely enjoyable evening was laid.

In a close fought game (of varying quality!) Three Counties Select XI prevailed by some 15 runs, their total of 128 off 20 overs proving to be just too much. A good crowd of relatives and friends helped generate a convivial atmosphere around barbecue and well stocked bar.



The presentation

The onset of darkness eventually brought a conclusion to the proceedings which all agreed had been a great success. We look forward to an even larger turnout next year when Three Counties will attempt to defend the trophy.

Reviewing Executive Pension Schemes

We have previously mentioned the need to review the pension arrangements held by clients following 6th April changes. It is worth repeating this message as many clients are uncertain as to what to do.

Clients who have an Executive Pension Plan, and act as trustee within that arrangement, have certain onerous responsibilities that they must now fulfil.

It is possible to transfer the pension benefits held in these plans to either a Personal Pension or a Section 32 without losing any of the benefits. Care must be taken before agreeing to such a change to ensure tax free cash and other benefits are not affected and we would carry out this check before making our recommendations.

We have a suitable letter which can be sent to your clients providing more details on this subject or can provide you with this information to use in your client meetings.

For further information please contact:-

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You should be aware that investment in securities involves risk. The value can fall as well as rise and you may not get back the full amount invested, particularly in the earlier years.

Taxation: All statements relating to taxation are based upon our understanding of the law and Inland Revenue practice in force at the date of this report. There can be no guarantee that the tax position or proposed tax position at the time of investment will endure indefinitely.

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Authorised and regulated by the Financial Services Authority (FSA) although the FSA may not regulate all products/services recommended.

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