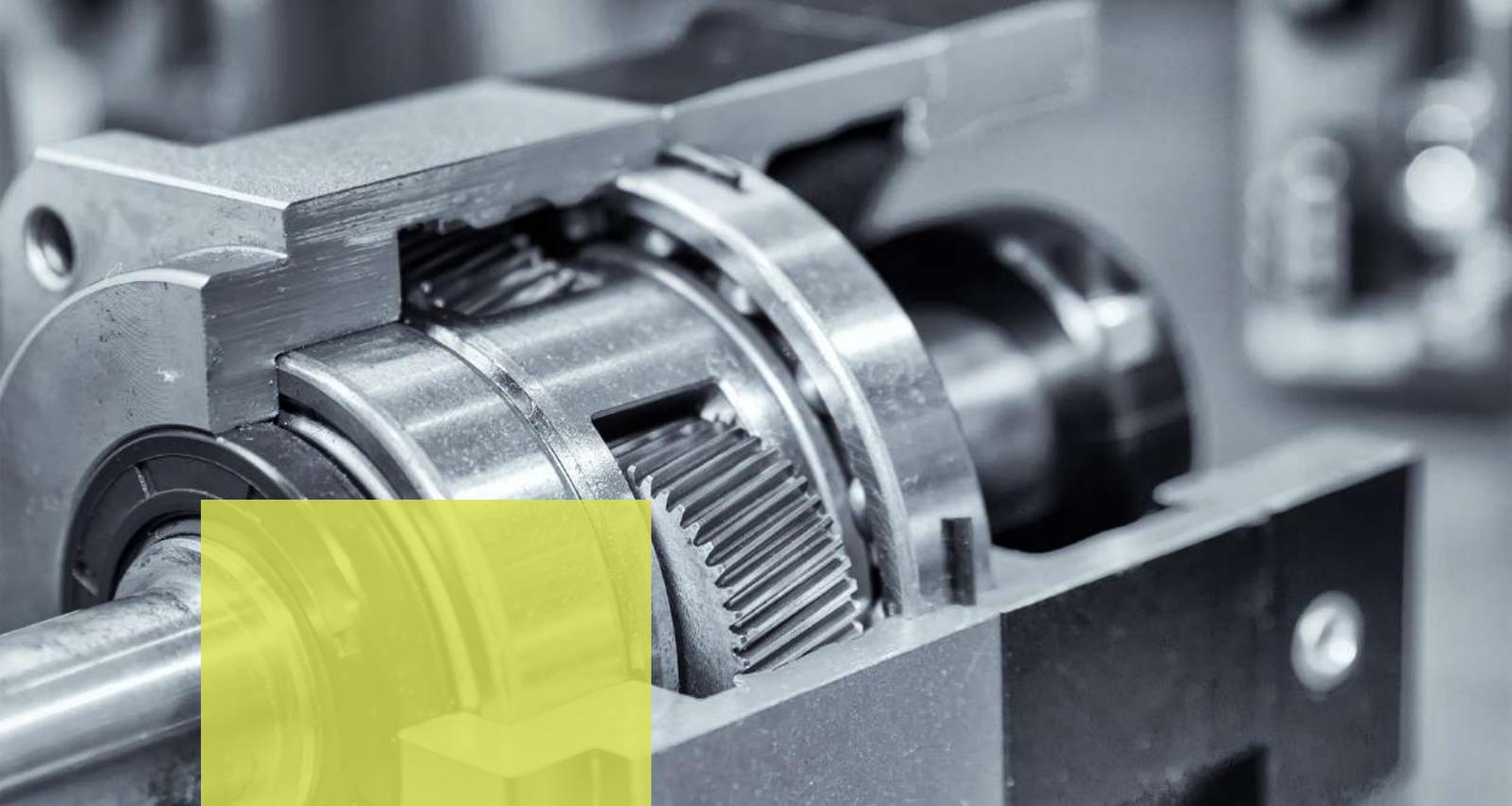


Manufacturing & Engineering

Spring 2018





Welcome to the latest issue of the PKF Francis Clark manufacturing newsletter.

Brexit may dominate the headlines but manufacturing continues to deliver the goods - literally. Figures from the Office for National Statistics (ONS) reveal that the export of goods rose to £342 billion in 2017. That's an increase of 13.4% on the previous year.

Of course, the sector continues to face challenges, not least the skills gap. One way of bridging the gap could be to take on an apprentice. The 11th National Apprenticeship Week ran from 5 to 9 March and if you haven't considered this option then it could be a good time to contact your local training provider.

For our part, PKF Francis Clark will continue to be the eyes and ears of your business. See our blogs and articles at www.pkf-francisclark.co.uk for informed comment on a range of issues, whether it's VAT post-Brexit or the latest trade deal.

Our highly experienced sector specialist team is just a phone call or email away so please don't hesitate to contact us.

Help and advice for businesses trading internationally

Since the referendum UK exports have been performing well, helped by a reduction in the value of the £. However, moving in to international markets can seem daunting for new exporters. Whether you are a seasoned exporter or just starting out, there is an essential checklist to complete to ensure that you are meeting all legal requirements and to fast track your activity.

It might be a little surprising, but trading across the EU involves minimal paperwork. In fact, an invoice and a packing list are perfectly sufficient for exporting your product in most cases together with sufficient evidence of removal of the goods from the UK. But what if those exports go beyond the EU? Do you know the end user? Are you prepared for questions on the origin of goods and how to classify them correctly?

Dealing with countries beyond the EU will mean dealing with different Customs controls and documentary requirements which can be a little difficult to understand at first. Here a few of those requirements that should be on all exporters checklists.

Export Invoice

This will document the transaction for Customs purposes. We recommend including as much of the following as possible:
Full description of the goods, HS tariff codes, consignee, country of origin, marks and numbers, gross and net weights, CIF value with any discounts or rebates, incoterm.

Certificate of Origin

Acceptable proof to the Customs authority when considering clearance of goods. This document is used to inform where goods are manufactured or undergo significant transformation - this is 'non-preferential' origin.

Most trading countries, including the UK, are parties to the International Customs Formalities 1923.

Signatories to that convention have agreed to accept Certificates of Origin issued by official authorities and organisations officially designated by their respective governments.

EUR1/Invoice declaration

The EU has concluded trade arrangements with certain non-EU countries which allow exports from the EU to enter at a reduced or nil rate of duty. These arrangements are commonly known as Free Trade Agreements and the removal of duties and tariffs mean goods move under 'preference'. In order to benefit, the goods must meet the prescribed rules of origin as either wholly obtained in the EU, or sufficiently processed, or meet specific criteria of a percentage rule.

Certificate of Conformity

Conformity Assessment Programmes ensure that products are fully tested in a recognised laboratory and a certificate issued before they are shipped to the client country. Most sectors will be subject to these, and testing is agreed to international standards. They are mandatory for many markets in the Middle East and Africa, and the exporter is responsible for costs.

Export Health Certificate

To export food, live animals and animal products outside the EU you usually need an Export Health Certificate (EHC). This will form part of the import registration process for new distributors.

Certificate of Free Sale

When exporting consumer products, you may be required to provide certification that those products may be lawfully sold in the UK and are therefore suitable for other markets.

Normally issued for cosmetics, toiletries, detergents, approved disinfectants, domestic cleaners, industrial chemicals, chemical raw materials or food handling materials.

Your nearest accredited Chamber of Commerce can usually certify all these documents and many more.

Some of these may even need to be endorsed by the Foreign & Commonwealth Office, a Notary Public or an embassy which we can also arrange. Get it right first time and check your documentary requirements with the end user.

Chambers of Commerce that are accredited by the British Chambers of Commerce offer a wide range of services to help businesses export. They also work with partner organisations such as the Department for International Trade. To find your local accredited Chamber visit www.britishchambers.org.uk



Rob Booth

Head of International Trade Services
Dorset Chamber of Commerce and Industry



Elite Fabrication & Welding Ltd

Andy and Sue Rice have a simple rule in business.

Andy, Director of Dorset-based Elite Fabrication & Welding Ltd said: "Treat others as you would like to be treated yourself and remember you're only as good as the team around you."

The maxim has served the couple well.

From one client 14 years ago, Elite Fabrication & Welding has grown to a £2.5 million turnover business employing 26 staff.

Now operating from an impressive 11,000 sq ft site on the edge of Poole the company provides fabrication and welding services to a wide variety of clients.

Products range from marine and vehicle welding to gates, railings and balconies but much of Elite's work is bespoke.

Andy said: "We literally have provided everything from sunshades for gas detection units to a floating platform for a dredger and even a hexagonal pole dancing cage!" "The variety of



Trusted Adviser: James Robinson, Partner, PKF Francis Clark (right) with Andy and Sue Rice of Elite Fabrication & Welding.

our work is staggering. It's true to say that you never know what someone is going to ask for next but we've yet to be beaten."

A welder by trade, Andy and his wife, Sue, decided to found Elite Fabrication & Welding in the summer of 2004.

He said: "Sue [Elite's Financial Controller and Company Secretary], was on maternity

leave so it was not, perhaps, the best timing.

"It started with just me, and the backing of an investor, in the corner of a unit at Corfe Mullen in Dorset. We built up our clients from scratch relying on word of mouth, reputation and my policy of always carrying a business card.

"Our team now includes four managers as well as welders, sheet metal workers, labourers, polishers and office staff.

"They're a fantastic group of people. Eight have been with us for over ten years and 18 have served at least five years. We're very proud of that."

Sue, who married Andy in 2002 - the couple have two children aged 14 and ten - added: "We pride ourselves on being a family business and we both feel the company has now reached about the right size.



Success story: Andy and Sue Rice of Elite Fabrication & Welding



Family business: A welder at work at Elite Fabrication & Welding.

case study

“We know our staff, our customers and have the ability to be agile and flexible in how we run the company whilst also building a legacy that could be passed on in the future.”

Elite Fabrication & Welding has been a client of PKF Francis Clark since the company was first founded.

Indeed, Andy credits us for laying the ‘solid foundations’ which have allowed the business to grow and prosper.

He said: “The guiding principles laid out when we started, such as the importance of administering a monthly, rather than a weekly, payroll and establishing Elite as a limited company, gave us the best possible start.

“PKF Francis Clark, and especially Partner James Robinson, has always been at our side and looking after our interests including, most recently, introducing us to Dorset theatre production company The Twins FX.

“This one action, alone, has generated extra business for us while helping The Twins FX to source a new and reliable local supplier.

“PKF Francis Clark also provided invaluable advice in arranging the buyout of our initial investor as well as the purchase and move to our current site. I can’t speak highly enough about them.”

James Robinson said: “Elite Fabrication & Welding is a great company which has established a fantastic reputation for quality and craftsmanship.

“We’re very proud to have Andy and Sue as clients and wish them, and the whole team, continued success.”





A robust strategy to prevent against cyber attacks along with GDPR considerations is now a business necessity

With the new year, comes new business planning, and with malware and 'phishing' attacks increasing month on month, combined with the imminent arrival of the new General Data Protection Regulation (GDPR), the matter of digital security should be high on the agenda of most boards.

Recent examples of cyber-attacks include the crypto-locker virus which is still bringing systems down globally. This, added to the fact that companies are bombarded with phishing scams every day, presents severe risks. These scams take the form of emails that try to persuade staff to download malicious attachments, click on suspicious links, provide personal details or other sensitive data. A targeted 'spear' phishing email campaign was blamed for instigating the recent cyber-attack that caused a major power outage in Ukraine.

Closer to home in the West Country, for Q1 2017, there was a reported loss due to cyber-crime of over £5,172,000, (source: Action Fraud) and this is just the tip of the

iceberg, as it is believed that the majority of cyber frauds go unreported.

Although the appointment of specialised consultants can be invaluable with offering practical advice, many boards still require assurance that they are doing all that is possible to protect themselves. The UK government is now pushing businesses towards its Cyber Essentials schemes in order that companies can assess and improve their digital defences. If a company suffers a breach, as the Cyber Essentials certification provides evidence that it has carried out basic steps towards protecting its business and data from internet based cyber-attacks, use of the scheme can also mitigate fines from ICO (Information Commissioner's Office). The UK Government estimates that by undergoing this exercise, companies can protect themselves against an estimated 80% of cyber-attacks.

The certification covers five key areas:

- Secure configurations
- Firewalls
- Access controls
- Patch management
- Malware protection



IASME offers a certification route to demonstrate that you are preparing for the introduction of GDPR. This certification is available as a verified self-assessment or as an on-site audit.

Once the assessment is passed, a business will receive a certificate and also a website/email badge to show the 'GDPR ready' status as well as Cyber Essentials and IASME Governance, which are all embedded in the one assessment.

With regard to GDPR, the two-year implementation period finishes in May 2018, yet the majority of UK businesses are unprepared. A new report from Trend Micro has revealed that the boards of UK companies are not treating the new European Union GDPR with the seriousness that it deserves. This has resulted in an overconfidence when it comes to GDPR compliance.

Rik Ferguson, VP Security Research at Trend Micro commented "the lack of knowledge demonstrated in this research by enterprises surrounding GDPR is astounding. Birth dates, email addresses, marketing databases and postal addresses are all critical customer information, and it's

concerning that so many British businesses, despite their confidence, are unaware of that. If businesses aren't protecting this data, they aren't respecting the impending regulation, or their customers, and they definitely aren't ready for GDPR". (Source: EUGDPR).

Writing in City AM recently, Liz Brandt, the chief executive at Ctrl Shift said "many businesses are less than enthusiastic, treating GDPR as another red tape burden. Too many companies are sinking huge sums of money into just becoming compliant, while many others are ignoring the looming regulation altogether.

"This is a missed opportunity. GDPR is a chance for businesses to sail ahead of competitors - to become their industry's Netflix and leave rivals in the Blockbuster Bargain Bin. It is also a significant opportunity for the UK economy to become more creative and productive".

PKF Francis Clark works with companies to help them protect their businesses against cyber attacks and keep their data safe. To find out more about this and the accreditation schemes, please contact **Richard Wilding** on **01803 320100**.

Impact of Brexit for VAT and Customs Duty

Customs Duty

The area of taxation where the effect of Brexit could be seen most immediately is in the application of customs duties and tariffs on imports from and exports to the remaining EU27 nations. Member states are currently not permitted to levy any duties on goods crossing a national border within the EU, whether those goods were originally produced inside or outside the EU.

If the UK follows the Prime Minister's stated intention to leave the Customs Union, imports from the EU will be treated in the same way as those from any other country. This means that customs duty will be payable on goods purchased from the remaining EU27 countries. This also poses a particular challenge for businesses with integrated supply chains entirely within the EU, which do not currently need to deal with significant import administration. For businesses with a mix of imports and exports, the challenge over and above the additional cost of customs duty is one of quantity. To give an idea of the scale of the increase in administration, HMRC processed 55 million Customs declarations in 2015 and expects that figure to increase to 255 million following Brexit.

In order to simplify this process, one option is for affected businesses to obtain Authorised Economic Operator (AEO) status. This can be granted to businesses that demonstrate themselves to be trusted and compliant members of the international supply chain and as a result have access to simplified Customs procedures, minimizing the need for import examinations and reducing requirements for financial guarantees.

The AEO accreditation process can take several months. Typically pre-Brexit it was taking six months, but some commentators expect that to increase to a year as we approach Brexit itself and move beyond it. For businesses that could benefit from AEO status it is therefore important to get the process underway as soon as possible.

Another response that businesses may consider is relocating parts of their operations to EU countries. This could be particularly beneficial for businesses that have significant imports from and sales to EU countries. Although there are significant costs associated with this kind of upheaval, these should be balanced against the ongoing business cost of dealing with two (or more) layers of import and export and administration for every sale.

VAT

If the UK leaves the EU VAT area, an immediate consequence could be the need for businesses to pay VAT on imports of goods from EU27 countries upfront, rather than when the goods are sold to customers. This system currently applies to imports from the rest of the world, but given the scale of imports from the EU to the UK, its imposition would result in a significant cash flow burden for British businesses as well as increased administration, this is likely to impact the manufacturing sector more than most sectors.

On 8 January the Treasury promised to 'look at options to mitigate any cash flow impacts' from such a change, but added that the Government had not yet decided whether to remain in the EU VAT area.

Please contact us if you would like further advice.



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