

David Allen

Winter Newsletter 2011

Connecting Agriculture



A briefing for
farmers and
land agents

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rise from
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Welcome to our Winter edition of our Connecting Agriculture Newsletter.

We were delighted to see a number of you attend the Annual Borderway Agri Expo last month, which saw record breaking crowds descend on H & H Borderway Mart at Rosehill. With a new stand layout, we were kept busy all day, which was fantastic. There was a great turnout of livestock on show with a full agenda of events throughout the day.

In this edition we recognise Michael Peile's achievements at David Allen and Kevin Batty talks us through the changes

with the grant schemes. I have been reviewing the tax side of renewable energy and our FAQ's answer some of your queries. Our guest editorial this season is B. B Dairy Ltd, a local feed buying group who discuss how they started in business 14 years ago and how they have grown to where they are now.

Single Farm Payment 2011 update

The Euro exchange rate was released by the European Central Bank for calculating SPS 2011 payments at £0.86665 up 0.067p (2010 was set at £0.85995). Some of you may now be in receipt of the payments as the RPA (Rural Payments Agency) are hoping to have paid a

minimum of 86% of eligible claims by the end of December with 95% by the end of March 2012.

However, the statistics from the RPA indicate a large number of claimants fail to notify them of a change of bank details which could delay payments being made. It is important that these details are updated and RPA informed, so please check your records. In addition, RPA has announced the new flat rate values for the three English regions under the 2011 Single Payment Scheme:

- €289.94 for non-SDA (Severely Disadvantaged Areas)
- €233.95 for upland SDA, other than moorland
- €40.82 for upland SDA moorland

The RPA has recently revealed a new charter for customer care, with this in force the RPA should be more accessible. For more details visit www.rpa.defra.gov.uk

Sandra



Michael Peile presenting Young Stocksman of the year award to Joanne Ridely (left) and Elaine Gill-Pattinson



Michael Peile
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Michael Peile's rise from Apprentice to Associate

Aged 16 and having just completed his GCSE's, Michael got in touch with David to ask if he had any summer work he could do before he went back to school to start his A Level's... 10½ years later, Michael is not only the 2nd longest serving member of the firm, but as from January 2012 he will take on the position of Associate at David Allen.

Michael began his professional training with the firm by enrolling with the Association of Accounting Technicians (AAT) as an apprentice. This was a 3 year course which gave him the qualifications needed to train for his Chartered Accountancy (ACA) accreditation, which involved a further 3 years of dedicated study and exams. Michael qualified as a Chartered Accountant in 2007.



There are fantastic opportunities within the firm for people of all ages. Michael's strengths were in what he knew and what he had been surrounded by all of his life – farming.

As Agricultural Partner, I wanted to build a team of experts to ensure David Allen would and could deliver the highest standards required within the agricultural sector and Michael was perfect for this. He became manager of the team at the age of 24 and quickly developed his role further to become a Fee Earner, gaining his own clients and establishing rapport as his confidence grew.

With his promotion to Associate, Michael will work closely with David, Alison and myself to grow the brand, build on our ethics and knowledge to improve our innovative development of the firm. He is working diligently to put our clients' needs first.

Outside of work, Michael remains dedicated to his role, by often visiting the auction mart, clients or shows in his own time accompanied by his 18mth old son Josh and partner Michelle.

I have had the pleasure of working closely with Michael for over 9 years and it is incredibly satisfying to see him step up to become an Associate. He will develop with our support and our aim is to keep talent like Michael's in Cumbria.

A handwritten signature in black ink that reads "Sandra".

Sandra Gowling

Agriculture

Renewable Energy - Tax round up



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Renewable energy is a very popular topic and, excuse the 'pun', a hot discussion point. Being able to generate renewable energy is a great way to not only reduce your own overhead but boost your income and reduce your carbon footprint.

There is uncertainty amongst some providers of the equipment about the tax treatment of Feed-in-tariffs (FiT's), capital investment and the income generated. It is not surprising that many of the companies supplying these may 'gloss' over the nitty gritty subject of tax?

Dispelling the myths

Electric generated from sales and FiT's is exempt from Income Tax – True or False? It's both! Renewable energy installations in general are made by a trade and as such the electricity generated along with the savings of your own power is taxable. The exception is for

domestic individual's 'micro generation' equipment installed in or on their own property.

"AIA is reducing to £25k from April 2012"

Tax savings

Based on the treatment of taxable income, businesses should be able to offset the renewable energy equipment under the Annual Investment Allowance (AIA); currently at £100k for the 2011/12 tax year with any expenditure exceeding

this qualifying for the 20% write-down allowance.

Please note the AIA is reducing to £25k from April 2012 and the annual write-down will also reduce to 18%. In addition to this the FiT's are cut for Solar Photo voltaic from 12 December 2011 and for other renewable sources from April 2012, therefore it would be beneficial to bring projects forward (subject to planning) to potentially save you thousands of pounds.





Another potential tax saving is equipment which would qualify for Enhanced Capital Allowances (ECAs). This is a 'green' tax exemption, specifically for apparatus which has been accredited which features on the Energy Technology Criteria List. ECAs enable this equipment to have 100% capital allowances outside of the AIA. But it's important to remember that not all renewable energy equipment qualifies so please check with your supplier and tax advisor first.

VAT treatment

If you are an individual installing energy equipment to a domestic premises, a reduced rate of VAT at 5% is applicable, however for businesses this is at the standard rate of 20% but it is reclaimable. Income received by selling the power is subject to the standard rate of VAT but

**"Enhanced
Capital Allowances,
a 'green' tax
exemption"**

FiT payments are excluded as is the power generated and used by the business.

Summary

There are many different scenarios which renewable energy may be used/installed/generated and each individual

case would need checked and the necessary advice given to support this.

For more information, please give us a call on 01228 711 888.



Supporting our Clients



B. B Dairy Ltd
Crossbar View Farm, Soulby
Kirkby Stephen

James and Jane Bainbridge have come a long way from their first steps into business and we take a look at how a hobby and passion for agriculture grew into the busy company it is today.

James Bainbridge was brought up on a dairy farm and has always had farming in his blood. After having an accident that prevented him from carrying on with farming he wanted to stay in agriculture and decided to give sales a go.

Starting at Fred Bamber Ltd in Preston in 1993, he soon got to grips with the business and in 1998 he decided to join Terry Bateman in a joint venture. As James became more involved in the day to day running of the business it grew to become B. B Dairy Group and more recently,

"James and Jane have farming in their blood"

with the addition of their other business B & H Liquid Feeds Limited that produces molasses, became B. B Dairy Ltd.

James' wife Jane moved to Cumbria in 1997. Jane also has farming in her blood and although not brought up on a farm, she loved visiting her Grandparents' Lincolnshire Dairy Farm.

James and Jane built their current business up from humble beginnings. James has always had entrepreneurial spirit and is constantly on the lookout for new ideas that will help him improve the service he provides.

Starting out, they initially stocked a few bags of dog food in their shed at home. But as their popularity grew, they decided to expand into a shipping container, which then led to another. But this still wasn't enough, and before long they were renting buildings from two local farmers.

However, it wasn't long before they were on the move again and when a 'friendly farmer'

suggested they buy an old farm steading at auction in their local village that would be 'ideal' for them, they decided to give it a go.

At first they thought the property was out of their reach but through their hard work and determination they successfully bought it and moved in.

Since then, the business has never looked back and they are extremely proud of their achievement.





In 2008 James was fortunate enough to be able to purchase a smaller local business that was closing down. Then during the winter of 2009/10, things became tough. James delivered over 600 Tonnes of bagged products by himself and with a small family to support he decided it was the right time to get help.

Garry Hargreaves commenced work with them in May 2010 and was a godsend. With a great knowledge of horses, it meant that B. B Dairy Ltd could



"We have had fantastic advice, support and encouragement"

begin to promote and deliver a better service to their equine customers.

This year has seen major alterations to their new home so that their business could be brought on to one site and included moving two 60 Tonne capacity molasses tanks - a job that had to be done with great precision.

In their spare time James and Jane love to be out amongst their livestock. After milking, breeding and showing Holstein Friesians in the past, James' passion for this breed remains intact... so much so, that they now have a few of their own, which their children have lovingly prepared for many of the local agricultural shows this year.

Jane has a love of Suffolk sheep and after a special birthday gift of four ewes, she now has a small flock of her own.

James and Jane said "for many years now, our business has been our priority, so when we were given David Allen's details by a farming customer, we decided to give them a call and we have never looked back. We have had fantastic advice, support and encouragement from everyone in their offices and they have certainly given us the courage and determination to succeed."

"Sandra Gowling has always made herself available and we know that if we ever need them, we can reach them, whatever time of day. In fact with Sandra's help we have recently taken over the 'Forward Farmers Buying Group', which has expanded our coverage of Cumbria. This is new territory for B. B Dairy Ltd but we are very excited about this new venture and are looking forward to the future".

Dairy Benchmarking Roundup

David Allen Dairy Survey Results



Michael Peile
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Our latest Dairy Survey Results show a mixed picture for the year just gone to April 2011. Based on an independent survey of Cumbrian Farms specialising in dairying the results show overall that cost increases outweighed any growth in output - with average net profits falling by 0.7 ppl.

Average turnover increased to 32.0 ppl, primarily by an increase in the milk and cull cow price. A firmer beef price caused an increase in replacement rates as herds have had a clear out of older problem cows. The value of single payment and stewardship income totalled 2.3 ppl but those farms within the Higher Level Stewardship received on average an additional 1.1 ppl.

Direct costs increased by 1 ppl to 14.3 ppl, primarily through an increase in feed and cow purchase costs. The graph opposite illustrates the

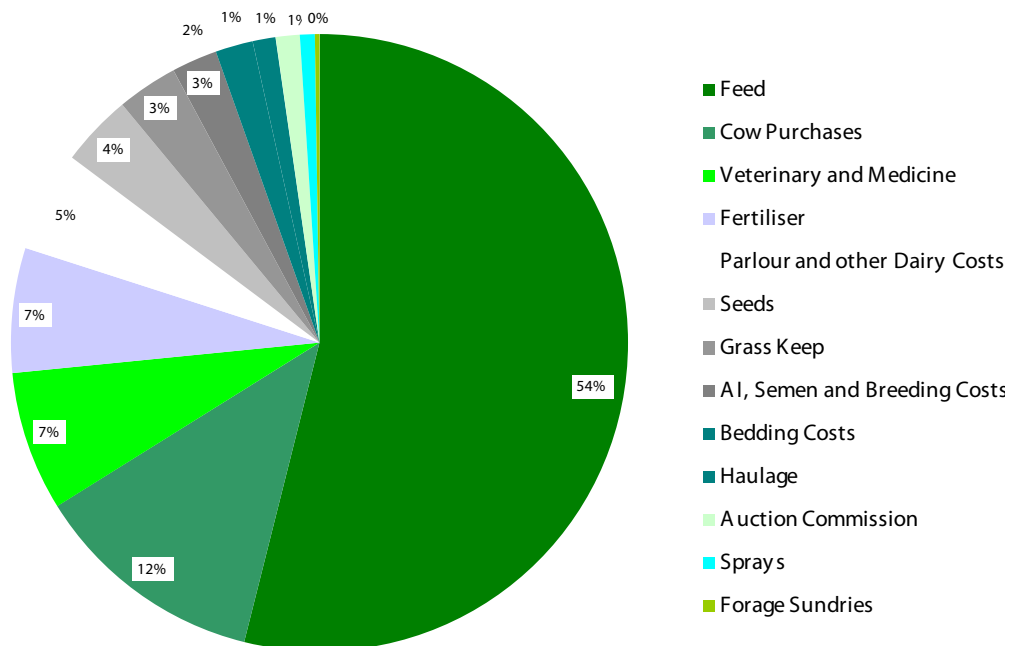
"Average turnover has increased"

importance of controlling feed costs and cow purchases through replacement rates.

However the main cost increase came from a rise in the overhead costs of the businesses which

are fixed by nature and push the break even price of milk production up even further.

Average depreciation costs fell back slightly to 2.5 ppl as many farms have undergone the improvements or expansion they wanted and are entering a period of repaying their investments.



Dairy Variable Costs 2011

Benchmarking aims to contribute to the creation of a more competitive agriculture industry...

To arrange a visit to your farm, call us on 01228 711 888 or email michael.peile@david-allen.co.uk

What can I do to maximise my performance?

With regards to performance, the difference lies in a farm businesses ability to manage feed costs, maximise use of forage and efficient use of capital. There is an increasing risk of over capitalisation on many farms and we are seeing a switch by lenders to earning capacity from asset valuation.

Dairying is becoming increasingly automated which in turn uses more energy to drive it. Out of all the sectors dairying tends to be the biggest user of electricity, therefore renewable energy should be looked at. You're probably sick of seeing adverts for wind turbines, solar panels and feed in tariff's but with the right selection these can turn an expense into an income stream.

Finally, controlling fixed costs - these increased noticeably this year and businesses need to review ways they can manage them. If you would like to take a proactive approach and maximise your business please do not hesitate to contact me.

2010/2011 Dairy Survey Results

Total output	ppl 32.02
Dairy variable costs	16.71
Labour	1.85
Power and machinery	4.48
Overheads	2.83
Depreciation charge	2.53
Amortisation	0.40
Rent and finance	1.21
Total costs	30.01
Dairy net margin	2.01

Agriculture

New National Grant Scheme launched



Kevin Batty
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DEFRA has announced details of a new funding scheme to help make farms more competitive, called the national Farming and Forestry Improvement Scheme (FFIS).

This replaces the performance grants which were previously available through the North West Livestock Programme.

What is it?

There is a £20 million pot of funding available nationally between now and December 2013, with grants available for between £2,500 and £25,000. Typically these will be up to a maximum of 40% in lowlands areas and 50% in upland areas. To put this into scale, if on average a farm receives £8,000 of grant aid, the £20 million pot will support just 2,500 farm businesses across the whole of England. Our advice would be to apply quickly as the funding is limited.

What is eligible?

Examples of eligible capital expenditure are shown opposite

and must fall into 1 of 6 key areas:

Animal Health and Welfare

Sheep – electronic weighs, turning crates and EID readers

Cattle – upgrade of crushes, foot trimming facilities and automatic footbaths

Dairy – cow brushes, cluster flush, heat detection systems, grooving and cubicles

Animal Health and Welfare (uplands only)

Incinerators and slatted flooring for sheep houses

Energy Efficiency

Heat recovery systems and electricity efficiency devices

Nutrient Management

Slurry separators, GPS equipment, dribble bars, trailing shoes and injector units

Water Resource Management

Rain water harvesting, UV filters, storage tanks, roofing silage pits or manure stores

Forestry

Mounted chippers and saw benches

How do I apply?

The applications are in quarterly rounds, with the first round deadline being 17 January 2012. For farmers in the North

West, applications will need to be supported by a relevant management plan. This is the same process as the old performance grants under the North West Livestock Programme. For farmers in other counties, applications need to submit supporting evidence for any improvements the capital expenditure will bring to the farm business.

What else is available?

There is a national large grant scheme due to be launched in the spring 2012. Details of this will be available shortly but are expected to concentrate upon larger co-operative projects.

The local action groups also support a range of grants to help improve farm profits. There is no definitive list of what is eligible and what isn't but it does include farm diversification, direct selling, development of specialist farming enterprises and other bespoke projects.

For further details on any of these schemes or advice upon securing grant aid towards your project please do not hesitate to contact me.



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Business round-up

Who can elect for Herd Basis?

Any farmer who keeps a production herd can elect for Herd Basis, subject to the statutory time limits. The farmer can be a sole trader, partnership or limited company. Where farming is carried out as a partnership, the election is made binding by the specific individuals. If there is a change in the members/partners of the partnership, a new election is required.

Can I make a negligible value claim (for Capital Gains Tax purposes) on the revaluation of my milk quota?

Yes, you are able to make a negligible value claim to allow you to claim the capital loss due as a result of the revaluation. The capital loss can then only be offset against current year Capital Gains or carried forward to be utilised against future years Capital Gains.

If you have any further questions please give me a call

Are Slurry Storage Systems (slurry lagoons and towers) eligible for Capital Allowances?

Yes, expenditure incurred on the above items will qualify for Capital Allowances and attract tax relief in the form of Annual Investment Allowance, First Year Allowances and Writing Down Allowances.

What are the tax implications if I rent some roof space or land to a developer or investor in Renewable Energy?

The rental and any lease payments are taxable, but note the payment of up-front options will be subject to Capital Gains Tax. If you are approached on this matter and a contract provided, please ensure you have this checked before proceeding.

When do the new FIT's for solar PV units take effect from?

These new tariffs will effectively apply to all installations registered from 12 December 2011.

Key Dates for your diary

1 December	Window opens for Single Farm Payment receipts
31 December	Grassland derogation deadline for NVZ
31 January	Tax Return deadline
31 January	Tax Credit deadline

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