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## Dividend Update from Paul Adams

Those clients who Branston Adams advise are always encouraged to follow procedure when paying dividends – typically;

1. Have a draft set of accounts showing that the Dividend is legal, the company has the necessary reserves and is cashflow positive.
2. Dividend minutes are prepared and signed.
3. Dividend vouchers are prepared and distributed.
4. The dividends are 'paid'

Unfortunately, the dramatic effect that the coronavirus is having on trading some companies' abilities to continue as going concerns and this is likely to result in some dividends being unlawful if the proper process has not been followed. Please note;

- It is not sufficient to rely on the last filed accounts showing there are sufficient distributable reserves.
- At the time directors declare a dividend they must also have regard to trading since the year end and its effect on distributable reserves – draft accounts at the dividend date.
- Directors must also consider if the company is going concern and ideally have financial forecasts to support that view – cashflow positive or neutral for the foreseeable future.
- The company must be solvent on both balance sheet and cashflow bases.

If the company's profits are being decimated during the current COVID-19 lockdown, directors need to be extremely wary of paying and authorising dividends.