



Pre-Budget Report

In what may be his last Pre-Budget Report before the next General Election, the Chancellor, Gordon Brown, reported that his 'Golden Rule' of taxation receipts matching current expenditure was being met in this economic cycle by a margin of £8bn and will be met in the next cycle.

Mr Brown said the most successful economies in the future would be those that got more people of working age into the labour market. He has, therefore, announced a National Employer Training Programme and is proposing to extend reliefs which assist working families. He also continues to enhance and implement a range of family friendly policies. The question is what impact all of this will have on employers, particularly SME's with limited resources, without corresponding business reliefs from the Government.

The tax system for the small business sector and the self employed is to be subject to an in-depth review. This review is being welcomed as a recognition of the contribution made by

small businesses to the economy and an opportunity for small businesses to formally put forward their issues regarding the administrative burdens placed upon them.

Despite the earlier introduction by the Chancellor of the 0% starting tax rate for small companies, which led to a significant increase in small business incorporations, the Small Business Discussion Paper is now focusing on the "targeting of incentives to ensure that commercial factors, and not tax considerations, determine the legal structures that are adopted by businesses". One suggestion in the Discussion Paper is to separate owner managers of companies from other company owners for tax purposes.

The proposed reform of Corporation Tax should lead to greater flexibility in offsetting losses from one type of activity against profits of another. Currently, loss relief may be lost or delayed.

The Chancellor has also announced a package of measures to further his aims of protecting tax revenues and closing aggressive tax avoidance schemes. There has been a hint of retrospective application of any new legislation in this respect to the date of the Pre-Budget Report.

At a glance

- 2004 public borrowing £35bn
- 2004 GDP growth 3.25%, 2005 GDP growth forecast at 3-3.5%
- Inflation 1.25% this year, 1.75% forecast for 2005, 2% thereafter
- Public spending to rise to £579bn in 2007-08, £606bn in 2008-09 and £634bn in 2009-10
- Additional £29m public spending allocated for Northern Ireland
- Business investment expected to rise by 5.75% this year and 4% to 4.5% next year
- £30bn would be gained from the sale of public assets by 2010
- Ten-year childcare strategy proposals:
 - extend paid maternity leave from six months to ultimately one year
 - permit the transferability of paid maternity leave to fathers
 - extend flexible working hours to parents of children over 6 years
- New national employer training programme
- Further crackdown on tax avoidance
- £105m for security and counter-terrorism measures
- £2.5bn investment pledge in science and Industry-led science forum to be set up
- New guidelines to be issued to schools for enterprise lessons
- Pledge to increase Government contribution to Child Trust Funds
- Request to the European Commission for review of the current EU import limit of £145
- Petrol duty and car tax remain frozen

Consultations announced include:

- In depth review of small companies, the self employed and the tax system
- Reform of Corporation Tax
- 100% capital allowances for renovating unused business premises in disadvantaged areas
- Future of the Option To Tax for VAT
- Extending ISA limits to 2009
- Extending the Child Trust Fund

Welcome to the Winter edition of *the*Advisor



This edition has been produced against a background of heightened political expectation. The prospect of a political agreement that will lead to lasting social stability is a tantalising one. Agreement between our politicians - whenever it finally comes - will surely be met with renewed enthusiasm and investment from the business community. As we approach 2005 our hopes must be for the realisation, at long last, of the true potential of Northern Ireland plc.

May I take this opportunity to wish you a Merry Christmas and a Happy, Peaceful and Prosperous New Year.

Sam Goldblatt, Senior Partner
goldblatts@goldmac.com

Limited Liability Partnerships (LLPs)

Since November 2004 Northern Ireland businesses have a new option when considering which trading vehicle best suits their needs.

As a hybrid of the limited company and unincorporated business, LLPs offer:

- **Limited liability protection benefits for members.**

Whilst the LLPs assets are at risk, the personal assets of the members can be generally sheltered, which removes one of the main dangers of operating via an ordinary unincorporated partnership.

- **The internal flexibility and taxation status of an ordinary partnership.**

Members of an LLP can arrange their own internal affairs using a Members Agreement, giving the members the same freedom to run the business as they would in an unincorporated partnership. They are taxed as if they are partners in an unincorporated partnership. However, LLPs are incorporated and fall within both audit requirements (if relevant) and the disclosure requirements of the Companies Registry, in relation to filing financial statements.

LLPs are particularly popular for professional firms which can potentially be exposed to large negligence claims.

Contact *Lyn Hagan* haganl@goldmac.com

Survey reveals serious skills shortages

The findings of the second Goldblatt McGuigan Business Services Sector survey published last month in the Business Telegraph revealed the extent of the labour and skills shortages within our local economy. Conducted amongst a sample of 80 local

business services companies, 65% of the businesses surveyed stated that they were currently experiencing labour or skills shortages with 45% citing a lack of people with the required training and qualifications as the major cause.

CONGRATULATIONS

NEW DIRECTORS

We are delighted to announce that Diane McStay and Erica White have been promoted to Directors.



Diane McStay *Erica White*

Diane becomes Director of Forensic Accounting specialising in personal injury and fatal accident cases with an emphasis on criminal injury work.

Erica becomes Director of VAT specialising in VAT advice and planning for a wide range of matters including land and property transactions and charities/not for profit making organisations.

NEW ICAI MEMBERS



Mark Archibald, Fiona Reid and Mark Peoples have been conferred as Members of the Institute of Chartered Accountants in Ireland (ICAI). Congratulating them at the recent conferring ceremony is our own Tony Nicholl in his role as Chairman of the Ulster Society of Chartered Accountants and Terence O'Rourke, President of the ICAI.

Passing your pension fund down tax free

For many people a pension is an evil necessity, useful primarily to get rid of tax or, at best, a vehicle to put property into without paying tax. One of the major disadvantages is the fact that at some point in the process, and at any rate before age 75, you have to buy an annuity and the assets will then pass back to the provider on the second death. Or, if you are in pension drawdown and die before aged 75, the residual fund can pass back less a tax charge of 35%. Another major problem concerns those who have put property into their scheme and are faced with having to sell, maybe at a time when the market is not so good.

What if a way could be found to get round such dilemmas?

Well there is good news and bad news. The good news is that it can be done and done

tax free. The bad news is that you have to be aged 50 now and it must be actioned before 6th April 2006 because the government has put a time limit on it.

The solution takes the form of an Open Annuity, which is simply a self-invested unit-linked annuity, but with some very special features such as: on the first death the residual fund passes into the estate of the annuitant tax free: the heirs are then free to use that cash in any way they wish; there is a way to place property into the scheme so that you retain investment control.

However, whilst we have got hold of the fund, we now have a potential Inheritance Tax problem. Again there is an answer in that, with some planning at the time you effect the Open Annuity, you will find that there are number of

solutions to any Inheritance Tax problems.

So is this relevant to you?

As already suggested, it should certainly be investigated by anyone already in Pension Drawdown. It would also be of interest to those in ill health or in final salary schemes which have limited death benefits. It can accept funds from any type of pension arrangement in the UK.

Finally, anyone who is aged 50 now and who would like to ensure that their fund is passed down to their family potentially tax free, should be looking at The Open Annuity.

Clearly we cannot address all the opportunities here, but, if you fit into any of the categories above, do not delay.

Kay in the USA

Just returned to GMcG after six weeks in Boston USA is Audit Director Kay Collins. Kay was fortunate to win a much coveted place on the Leaders for Tomorrow Executive Leadership programme sponsored by the Department of Employment and Learning. Based at the famous Harvard University, the programme offers managers in the private and public sectors the opportunity to combine world class learning in Management and Leadership at the Kennedy School of Government with a project based placement in Boston.

For Kay, her placement - four weeks spent in 'professional observation' at one of Boston's leading accountancy practices - was the highlight of the programme.

"It was a wonderful experience. Everything is on such a bigger scale in America, the firm where I was placed employed over 1200 professional staff. In spite of the scale of the organisation they really took me under their wing. I met with the Partners, was given

research projects to carry out and attended a host of external meetings. The opportunity to observe a large firm in action has made me very appreciative of the close relationships I enjoy with my clients at Goldblatt McGuigan and I firmly believe that relationships are what really make businesses tick."

And during Kay's time there, Boston was a centre of media attention as the home of Presidential Candidate John Kerry. On a more successful - and certainly more sporting front - the Boston Red Sox were the toast of America when they won the 2004 Baseball World Series after 86 years of trying.



Clients in the News



Success for The Picture House and Jingle Jangles Studios at PANI Awards

Congratulations to Steve Martin and Hugh Matier of The Picture House and Jingle Jangles Studios, Belfast for their success at the PANI Advertising Awards. The Picture House, in association with Spot on Film and Television, won both the Chairman's Choice Award and the Television Sting category Gold Award for the EasyJet "Blondie" commercial series which was aired across the UK. Jingle Jangles Studios was also responsible for the sound production on every radio commercial that won an award on the night.

Established in 1985 Jingle Jangles Studios was the first commercial sound production house in Belfast and Steve and Hugh added graphics and television production facilities to the portfolio with the setting up of The

Picture House in 1998. The business provides a full service of leading edge audio and visual digital technology for clients in the advertising and film sectors.

BT Agree To Buy B.I.C. Systems For £17million

September saw BT Northern Ireland announce that they had agreed to purchase B.I.C. Systems Group Ltd for a cash consideration of £17 million.

Describing the purchase as 'one of the most exciting developments in the IT space' in years, BT Northern Ireland chief executive, Bill Murphy, heralded the move as being 'good for Northern Ireland, good for BT and good for B.I.C. Systems Group Ltd'. Ed Vernon, Chief Executive of B.I.C. Systems Ltd said, "The international IT market place is a tough and competitive environment. In agreeing to sell to BT we will create a new ICT company

capable of delivering real shareholder value and excellent and innovative products and services to our customers".

Expansion and Awards for Savile Row

Savile Row, the Castledawson based shirt manufacturers, have signed a major licensing deal with the Forbes Group of Mumbai. The contract will see the opening of Savile Row branded shops selling 'London-style' shirts, ties and other garments across India, Sri Lanka, the United Arab Emirates, Saudi Arabia, Oman, Qatar and Bahrain.

In October Savile Row celebrated their success in winning the Chartered Institute of Marketing Best Direct Marketing Award.

Consilium Technologies In Tech Track 100

Consilium Technologies Ltd is the only company in Northern Ireland to feature in the latest Sunday Times Microsoft Tech Track 100 the annual league table that lists the UK's Top 100 fastest growing unquoted technology companies. Consilium Technologies are a provider of software, infrastructure platforms and supporting IT services to local authorities across the UK.

McCalls Menswear

Congratulations to McCalls of Lisburn on being the first independent menswear retailer in Northern Ireland to achieve the Investor in People (IiP) award. Commenting on the award Partner Percy McCall said "as a company we have always highly valued our staff and we felt that Investors in People complimented our own company ethos". Established 1956 McCalls operates from Market Street in Lisburn.

Car or Van?

INPUT VAT RECOVERY

Cars:

Outright purchase/hire purchase

As a general rule, you cannot recover the VAT on an outright purchase or hire purchase of a car, unless it is to be used exclusively for business purposes i.e. a pool car (very strict test).

You may recover the VAT in full if cars are stock in trade of a motor dealer or intended primarily as a taxi, driving instruction car or self-drive hire.

Finance Lease/Contract Hire

You may only reclaim 50% of VAT on car leasing charges unless exclusively for business purposes as above, whereby 100% is reclaimable. Please note that VAT may be recovered in full re maintenance charges, if separately shown.

Vans:

VAT is reclaimable in full re vans even when there is an element of private use.

Car-derived vans

Recently manufacturers have blurred the distinction between cars and vans. Many car-derived vans pose no problems with regard to the current definition of a 'motorcar' in that they are clearly vans e.g. they have no rear seats, metal side panels to the rear of the front seats, a load area which is highly unsuitable for carrying passengers etc.

Combination Vans

Combination vans have the appearance of vans and are designed to be fitted with or include additional seats behind the front row of seats to enable the carriage of passengers.

Care should be taken when deciding whether a combination van is a car or van for VAT purposes in order to ensure the correct VAT treatment is applied.

However, in cases of doubt HM Customs & Excise has compiled a list of car-derived and combi vans and whether they are cars or vans for VAT purposes.

For VAT advice contact Erica White whitee@goldmac.com



New Criminal Injury Legislation: role of the Forensic Accountant



The Northern Ireland Criminal Injuries Tariff Compensation Scheme 2002 is effective for all criminal incidents post 1 May 2002.

Under the rules any legal or accountancy fees incurred during the claim process are no longer paid by the Compensation Agency and are instead payable by the applicant. However, applicants should be especially wary of making claims without the correct professional assistance particularly where there is a pre incident earnings history and significant doubt in relation to future earnings in the injured state.

Proceeding without proper legal or financial advice could lead to lower claim payouts which may be unfair to the injured party who may not have the necessary expertise to properly prepare their submission or judge the reasonableness of the financial element of the claim awarded by the Agency.

Under the Scheme the Agency gather information they believe relevant to a claim and make an award figure to the applicant without a detailed report and computations. A 'go it alone' applicant would have to consider an award without any assistance regarding how his award was computed.

A cool wind blows for husband and wife shareholder companies



The Artic Systems decision, published last month, was a major setback for husband and wife shareholder companies who, until now, have organised their tax affairs in such a way as to allow the non fee-earning spouse to take a share of profits from the company by way of dividend.

As forensic accountants we have carried out analysis of awards put forward under the new scheme and have engaged in similar work under the former scheme for many years. We ensure that all matters have been dealt with fairly and completely such as:- expected earnings (potential promotions, part time work, expected retirement age), pension, residual earnings, multipliers, loss of DIY capabilities, additional care and other costs arising from the incident. We can review the suggested award figure and make comments, for a standard fee, approved in advance by the applicant.

The new scheme also sets out the following appeals procedure: Review of Award and Adjudication on Appeal which comprises a panel of people with quasi legal status. The applicant is invited to attend the review by the panel. If quantum is a major issue, representation by a solicitor and forensic accountant would ensure the necessary expertise is made available as there are no forensic accountants on the panel and indeed no accountancy representation at all.

We have the relevant experience and knowledge of the new scheme and are available to assist those unfortunate enough to have to claim.

Contact [Gabriel Greene](mailto:Gabriel.Greene@goldmac.com)
greeneg@goldmac.com or
[Diane McStay mcstayd@goldmac.com](mailto:Diane.McStay@mcstayd@goldmac.com)

The Artic Systems case concerned Geoff Jones, a computer consultant, and his wife Diana, who set up an IT company, each subscribing for 50% of the ordinary shares in the company. Geoff was the sole director. Diana, as Company Secretary, earned a small wage for administrative duties performed on behalf of the company. The Revenue challenged dividends paid to both shareholders, arguing that the s660A settlements legislation should apply to treat the income received as belonging to Geoff only. The additional higher rate tax bill of some £42,000, including interest, was widely denounced by the major tax and accountancy bodies, who were in support of the Jones' appeal to the General Commissioners.

The Commissioners themselves were unable to agree whether s660A applied to the facts of the case before them. However, the Presiding Commissioner had the casting vote

New Appointments



Gerard O'Callaghan Moira McGale

We are delighted to welcome into the firm Gerard O'Callaghan and Moira McGale.

Gerard has been appointed Manager, Computer and Accounting and his role is to develop the computer and accounting training services department.

Previously with FPM Chartered Accountants and Bank of Ireland he has a BA (Hons) degree in Business Studies from the University of Ulster and Masters of Accounting from University College Dublin.

Moira has been appointed Manager, Audit and her role includes responsibilities for a portfolio of audit clients and training. Previously with PricewaterhouseCoopers she has a BA (Hons) degree in Accounting from the University of Ulster. Both are members of the Institute of Chartered Accountants in Ireland.

and decided in favour of the Revenue. Both Commissioners emphasised the fact that Mrs Jones was not a director and had thus no legal say in declaring dividends.

As a result of this decision, the Government will be expecting a large increase in the overall tax take by the Exchequer from small family businesses. Unsurprisingly, the case is being appealed to the High Court. The main difficulty for taxpayers is that the application of the settlements legislation to the facts of their own particular case must be self assessed, for personal income tax purposes. Although the Artic Systems decision in itself may well be limited in its application, it is important to seek advice if you feel that the settlements legislation has relevance to your own situation.

Contact [Lyn Hagan](mailto:Lyn.Hagan@goldmac.com)
haganl@goldmac.com

out and about



Sam Goldblatt is Chairman of The Lord's Taverners in Northern Ireland and the firm supports the Taverners charitable fund raising activities.

Pictured at The Lord's Taverners Golf Day at the Hilton Templepatrick are Best Team winners L-R: Ross Torrens, Roy Torrens, Robin Walsh, Norman Torrens and Gerry Kelly (President of The Lord's Taverners in NI).



Winners First Trust Bank pictured at The Lord's Taverners/Belfast Telegraph corporate charity quiz, October, Europa Hotel, Belfast celebrating their victory.

(From left, front row), Pat Mc Intyre, Joseph McGowan, compere Gordon Burns, Sean Carville and (back row) Philip Major, James McCreight, Martin McCarthy, Neil Parker and Chris Russell.



Sam Goldblatt presents Michael Harte of Bangor 2nds with the Goldblatt McGuigan Man of the Match Award, following Bangor's victory over Drumaness 1st playing at Downpatrick cricket club in August.

Duties, responsibilities and liabilities of Directors



A Board of Directors are appointed by shareholders of a limited company to operate the company, make decisions and to ensure the company is properly managed. Directors formal powers

and rules are set out in the Memorandum and Articles of Association of a Company. A company must have at least one director and a company secretary.

Anyone can be a company director and there are no legal or qualification requirements. There are different types of director (executive director, non-executive director, managing director, shadow directors) and the law does not distinguish between them.

The duties, responsibilities and liabilities of directors when exercising their roles cannot be underestimated. This article summarises the key aspects of these:

Duties and Responsibilities

Company law sets out three primary legal duties:

- 1 Fiduciary duty to the company to act honestly, in good faith and in the best interests of the company as a whole.*
- 2 A duty to exercise the level of care and skill in carrying out their duties that could reasonably be expected from someone of their ability and experience.*

- 3 A duty to carry out the statutory obligations imposed by the Companies (Northern Ireland) Order 1986 and other legislation.*

Directors are primarily involved in the formulation of business strategy, for managing the performance of the business and for maximising the value of the shareholders stake.

Directors responsibilities are wide ranging. The key statutory responsibilities are outlined below:

The main statutory duty falling on a director is the preparation of the accounts and the report of the directors. It is the responsibility of the directors to ensure that the company maintains full and accurate accounting records.

Directors have personal responsibility to ensure that they submit the relevant documents to the Registrar of Companies. These include:

Annual abbreviated financial statements must be filed within 10 months of the year end

Annual Shuttle returns must be filed (Form 371)

Notice of Change of directors or secretaries or in their particulars (Form 296)

Notice of change of registered office (Form 233)

Directors have personal responsibility to ensure that they do not have any conflict

of interest which affects their dealings with the company.

There are many other aspects of directors responsibilities in regard to both legal and practical matters but which are beyond the scope of this article.

Liabilities

Directors may incur personal liability, both civil and criminal in nature in regard to neglect of their duties and responsibilities as required by Company Law. A Court can impose fines, disqualification as a director of any company and in severe cases imprisonment.

Furthermore, the directors can be held personally liable for the debts of the company in any of the following cases:

- 1 Wrongful trading – if a company becomes insolvent which results in a liquidation and the directors were deemed to have continued trading whilst aware or likely to be aware that their actions would cause loss to the creditors of the company.*
- 2 Fraudulent trading – this is a very serious offence and generally involves a case whereby a director has been dishonest and was deliberately intent on defrauding its creditors or any other party.*

Regular board meetings should be held and minutes recorded. All decisions in regard to actions taken by the company should be conducted in accordance with Company law.

If in doubt regarding any complex matters, directors should seek appropriate professional advice.

*Contact Jackie Smith
smithj@goldmac.com*

Spreading Christmas Cheer

This Christmas most of us will be seeking to provide entertainment for our staff, customers and suppliers. Entertainment can take many forms such as food and drink, hotel accommodation and shows, theatre and concerts. So what are the VAT and Tax implications of spreading some Christmas Cheer?

VAT Employees

VAT may be recovered on the entertainment of staff (which includes proprietors, partners, directors and persons involved in the management of a company if attending staff parties). VAT cannot be recovered on providing entertainment for former employees; shareholders (who are not also employees); and spouses, partners, relatives and friends of employees. Apportionment is permitted to the extent of non-employees attending (and not paying) and this VAT element is not recoverable.

Where entertainment is provided for only proprietors, partners and directors of a business, the input VAT is not recoverable.

Customers/Suppliers

VAT incurred on the provision of 'business entertainment' for customers and suppliers is not recoverable.

Direct Tax Employees

Staff are not taxed on entertainment, provided the cost per head of all entertainment provided during the tax year does not exceed £150 (including VAT) and the entertainment



is available to all employees generally. If the cost exceeds £150 per head, the employees are to be taxed on the events which exceed this limit, the employer is liable to national insurance thereon and the events should be reported on form P11D. A PAYE settlement agreement (PSA) may be sought with the Inland Revenue whereby the employer undertakes to pay the employee's income tax liabilities.

Businesses - Deduction From Business Profits

Staff Entertainment - Entertainment provided for employees, if wholly and exclusively for the purposes of the business' trade, is an allowable business expense which may reduce

taxable business profits. The definition of employees is extended to include retired members of staff and the partners of existing and past employees.

Customer/Supplier Entertainment - Entertaining of customers and suppliers is not an allowable business expense and is not deductible in calculating taxable business profits.

Entertainment for both employees and non-employees - Staff entertaining is not an allowable deduction from taxable business profits if the entertainment of employees is 'incidental' to the entertainment of customers and suppliers.

Tony in the chair

Tony Nicholl, Head of Forensic Accounting, was appointed Chairman of the Ulster Society of Chartered Accountants in Ireland in April. Encouraging entrepreneurship as a catalyst to economic and social change has been a key theme of Tony's Chairmanship.

A competitive and entrepreneurial economy is not only the engine of wealth creation and material prosperity, but it is the best prospect we have of improving the general health, housing, employability and wellbeing of



everyone in Northern Ireland. Boosting entrepreneurship is therefore the fundamental issue for local business and one of the most significant issues for society in general.

Everyone of us - not just the politicians - must find ways to encourage the passion, energy, creativity and innovation which will lead to new business starts and job creation. Entrepreneurs must be given every support and assistance in developing their business ideas and that is where the accountancy profession comes in - to help appraise, develop and finance the creative products of the entrepreneurs of the future. We must encourage the taking of acceptable risks and

acceptance of legitimate failure - and we should share in the risks.

It has been my pleasure as Chairman of the USCA to be involved in an advisory capacity with Invest Northern Ireland and their 'Go For It' campaign. In September, together with the Chartered Institute of Marketing, UCAS organised the entrepreneurship conference Reality ECO4 attracting over two hundred delegates. Our Guest Speakers Tim Waterstone, Michelle Mone, Mark Pollock and David Sumner-Smith inspired us with their individual experiences. It is surely the job of all of us in business to inspire our young people and to encourage them to embrace the opportunities that entrepreneurship can present.

Contact [Tony Nicholl nichollt@goldmac.com](mailto:Tony.Nicholl@goldmac.com)

Financing strategies for SMEs



The financing needs of any business are determined primarily by the capital investment profile of its market sector and the stage it has reached in its life cycle.

The life cycle of most businesses can be broken down into three stages:

Start Up/Early: Growth: Maturity

The start up and early stages of a business' life are likely to be problematic and frustrating for an entrepreneur trying to raise funds. For those who keep going, notwithstanding the set-backs, the following points are worth considering. Structure the business model to minimise initial investment. Try to avoid spending money on assets that don't give a quick (or worse still a positive) return. Don't put all the 'eggs in one basket' – one big customer is not a panacea to every problem. Some suppliers will insist on payment by pro forma therefore look for suppliers who are prepared to give credit.

A promoter's access to capital is often limited to modest savings and equity in the family home. Given the strength of the local housing market in recent years, a second mortgage is an accessible source of funding for new ventures. It should be possible to lever up other borrowings against capital introduced, particularly if there are some assets in the business with security value. With a limited company, it may be preferable to introduce funds via director's loan account rather than share capital, to facilitate subsequent extraction. Lenders may require a priority agreement or an undertaking not to draw against a loan while bank borrowings are outstanding.

A new business may be able to take advantage of the government backed 'Small Firms Loan Guarantee Scheme'. The High Street banks participate in the scheme which is available for most manufacturing and many service activities. It should be taken into account that the scheme is designed to cover a lack of security rather than support a weak lending proposition.

Outside equity for a new or early stage venture is probably the most difficult finance to source. Smaller venture capital funds and business angel networks are available to plug this 'equity gap', however an entrepreneur seeking to raise such funding will need a convincing and straightforward story. Only a small

proportion of proposals attract early stage equity support and this reflects the quality of the propositions above all else.

If a business has weathered these early storms, the difficulties caused by rapid expansion can be equally challenging. At this stage in its development, a business needs professional management. From the financial end, this includes anticipating future financing requirements and arranging appropriate facilities in advance – bankers don't like surprises! Most banks now offer confidential invoice discounting (on an insured or uninsured basis) which may be preferable to traditional factoring. As there are fixed administration costs involved with these products, size really does matter! Stock financing facilities are also available although net worth and track record restrictions may apply. The major advantage of these products is that they can facilitate the growth of a business where more traditional lending cannot. Getting the best out of them requires effective working capital control.

Longer term investment should be financed by longer term products. The nature of such instruments will determine whether assets and liabilities feature in the Balance Sheet. For the expanding business, the cash flow profile should be the key factor in making, for example, a lease or buy decision. With high growth situations, debt finance may not be sufficient and additional equity may be required – this is traditional Venture Capital space. Such investment is a fair barometer of entrepreneurial activity and demand in Northern Ireland is persistent, if somewhat limited.

When a business enters the mature phase, management should seek to achieve a financing structure that maximises equity return. Venture Capital and other investors can be bought out, the equity base shrunk and with reduced balance sheet risk, the cost of debt may be reduced. If the owner's ambition has been achieved, it is then possible to reap the financial rewards through ongoing profit extraction or an immediate realisation via sale.

One can perhaps be forgiven for sometimes taking for granted the cornerstones of a financing strategy – a sound understanding of the needs of the business, a realistic appreciation of its capabilities and effective capital and asset management. The key advice must be to get the basics right, the rest will follow!

Contact Michael Gibson
gibsonm@goldmac.com

International Accounting Standards – will they affect you?

The consolidated financial statements of UK listed companies, and their subsidiaries, must be prepared under EU adopted International Financial Reporting Standards (IFRS) for accounting periods commencing on or after 1 January 2005.

All other companies can continue to prepare accounts in line with UK accounting standards but may opt to use IFRS.

The Accounting Standards Board (ASB) has recognised that it makes no sense to use two different sets of accounting standards in the UK and they have therefore set the wheels in motion to ensure the eventual convergence of the two sets of standards. This convergence will take place over the next couple of years which will include a series of changes that will replace several UK accounting standards including Post Balance Sheet Events and Related Party Disclosures.

Contact Kay Collins collinsk@goldmac.com
or Susan Dunlop dunlops@goldmac.com

Sage Advice

As members of the Sage Accountants Club we would like to draw clients' attention to the new version of Sage Line 50 Version 11 which is now available. This version contains a wide range of newly enhanced features. Existing Sage users can upgrade to this new software for a fraction of the purchase price.

Please contact us if you would like to find out more about Sage software or are interested in training on Sage or other computer accounting programmes at beginner, intermediate and advanced levels.

Contact Gerard O'Callaghan
ocallaghang@goldmac.com or
Anne Mullan mullana@goldmac.com

National minimum wage increase

From 1 October 2004, the National Minimum Wage for workers aged 22 and over is £4.85 per hour (an increase from £4.50 per hour). The Development Rate for workers aged 18 – 21 inclusive has also been increased from £3.80 to £4.10 per hour. In addition, the Government has introduced a new Young Workers Rate of £3.00 per hour for 16 – 17 year olds who are above the compulsory school leaving age. In Northern Ireland a person is no longer of the compulsory school age after the 30th June of the school year in which their 16th birthday occurs. 16 and 17 year old apprentices will be exempt from the Young Workers Rate.

GOLDBLATT MCGUIGAN
CHARTERED ACCOUNTANTS,
ALFRED HOUSE, 19 ALFRED STREET,
BELFAST, BT2 8EQ. TEL: 028 90311113