



Debbie Henderson and Gabriel Greene launch our new Advanced Forensic Solutions Service

Fraud Detection Service Launched

We are proud to launch the first service of its kind in Northern Ireland, aimed at helping private and public sector clients prevent, detect and investigate corporate fraud.

Goldblatt McGuigan Advanced Forensic Solutions brings together the in-house expertise of the firm's Forensic Accounting and IT Security teams to provide a confidential corporate fraud investigation service. Using state-of-the-art computer forensic software, the Advanced Forensic Solutions team is equipped to provide clients with a discreet and rapid response in the event of suspected fraud. A range of specially developed fraud prevention plans, detection tools and training programmes is also available.

Commenting on the launch of the Advanced Forensic Solutions service, Gabriel Greene, Partner, Goldblatt McGuigan said:

"It is estimated that the cost of fraud to UK businesses is in excess of £15 billion per annum. Fraud is a serious issue but research shows that most companies underestimate the level of threat to their organisation and critically do not know how to detect fraud or investigate it when it arises. Increasingly, however, companies are finding themselves vulnerable to fraud, particularly through the use of computer and internet technologies. Our Advanced Forensic Solutions team has a unique set of skills, resources and experience in this area and we have invested heavily in advanced electronic tools and computer software programmes to facilitate us in the speedy detection of all types of corporate fraud."

The Advanced Forensic Solutions team is headed by Gabriel supported by IT Security Consultant Steven Goldblatt and Senior Forensic Accounting Manager Debbie Henderson.

Gabriel Greene: greeneg@goldmac.com

MICHAEL TO HEAD MANAGEMENT CONSULTANCY



The Chairman and Partners are delighted to announce the appointment of Michael Clarke as Director of our new Management Consultancy practice.

Michael is very well known face in the local Management Consultancy sector and is currently Chair of the Institute of Management Consultancy in Northern Ireland and a member of the Institute's National Strategy Group. With over 15 years consultancy experience, the last 9 years with PricewaterhouseCoopers in Belfast, Michael has an impressive track record working for blue chip clients in the public and private sectors. He has worked extensively for Government on major strategic change and modernisation assignments however his broad experience also includes work in the telecoms, transport, IT and manufacturing sectors.

"I am delighted to have been offered the exciting challenge of developing Goldblatt McGuigan's new Management Consultancy practice. These are interesting times both in the private and public sectors. The impact of the outcome of the Review of Public Administration will have far reaching ramifications both internally and externally to Government. Over the next few months I will be bringing together a highly experienced team that will be well positioned to assist clients in all aspects of strategic development, business improvement and change management" says Michael Clarke.

Michael Clarke: clarkem@goldmac.com

Welcome to the Winter 2005 edition of the **Advisor** which coincides with two important key developments within the firm.



Firstly, we have the launch of our new Advanced Forensic Solutions service. Corporate Fraud is a major threat to all businesses and public sector organisations and this new service has been developed in response to the growing demand for locally delivered expertise in prevention, detection and investigation. AFS is led by Forensic Accounting Partner Gabriel Greene and IT Security Consultant Steven Goldblatt.

Secondly, we are delighted to welcome the highly experienced Management Consultant Michael Clarke to our team, who joins us from PriceWaterhouseCoopers. Michael is currently Chairman of the NI branch of the Institute of Management Consultants and he is now taking forward the development of a new Management Consultancy practice for the firm. I look forward to announcing more details of this in the New Year.

In conclusion can I take this opportunity to wish you all a very Happy Christmas and a peaceful and prosperous 2006.

Sam Goldblatt, Managing Partner: goldblatts@goldmac.com

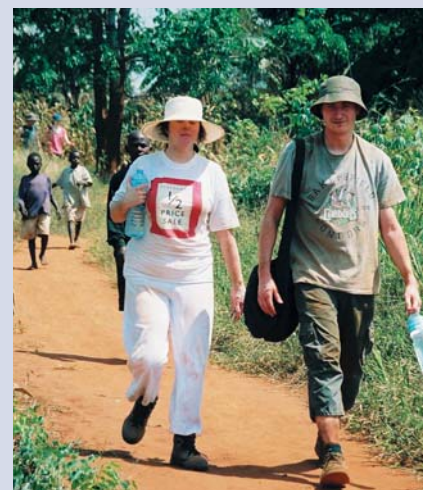
Exam Success



It was congratulations all round when five members of staff recently passed their their Professional Exams. Andrew Beattie and Claire McElduff from Audit were successful in their ICAI Final Admitting Exam while three Tax staff, Correna Coburn, Abigail McCarter and Jane

McCabe passed their Chartered Tax Exams. Sir David Fell, Non-Executive Chairman is pictured congratulating L-R Correna Coburn, Claire McElduff, Abigail McCarter and Jane McCabe. Andrew Beattie was unfortunately not available on the day.

SAFARI SO GOOD!



Well, we made it! After a 12-hour flight and a 5-hour coach trip along perilous highways and dirt tracks Karen Hamill and I and 13 other Habitat for Humanity Northern Ireland (HFHNI) volunteers arrived at our Tanzanian hostel. To describe our accommodation as "basic" would be to do it a great service! Hot and Cold Running Water? - Yes if you can wait for it to be boiled on a fire and poured over you by a colleague. Electricity? - Yes, but only for two hours at nighttimes, if the generator worked! Room Service? - Yes, if you welcome the rodent, ant and mosquito nocturnal visitors!

As part of the Global housing movement HFHNI is committed to raising funds and sending teams of volunteers all over the world to help families in need of shelter build simple affordable homes. Since 1976 HFHNI has built more than 200,000 homes, sheltering over 1 million people in 100 countries worldwide. We were in Tanzania to add to the almost 2,000 self-build houses during our two week trip. We built one home from its foundations and helped finish two others by contributing labour, bricklaying and plastering "skills" under the direction of the site "Fundi". But it wasn't all work, we managed to take in a quick Safari and savour the sights and delights of the spice island of Zanzibar.

So what did we learn from our trip? With reference to our "day jobs" ...that by working together, despite creed, colour and language we can help build tangible and intangible assets that impact on our present and hopefully help "cement" our futures.

Mark Archibald: markarchibald@goldmac.com

EU TRADING: VAT ISSUES



Businesses are increasingly branching out into overseas markets. This is particularly prevalent for Northern Ireland businesses due to the North/South border. If your business is trading cross border with another EU country, there are a number of UK VAT rules to be adhered to.

GOODS - EVIDENCE OF EXPORT

If your business supplies goods to a customer in another EU country and the customer is VAT registered in that country you may zero rate your supplies for VAT purposes on condition that the required intra EC zero rating provisions are complied with, including removal of the goods from the UK within strict time limits and retaining documentary evidence.

If your business is supplying goods to, or receiving goods from, other EC countries the business will have to comply with additional administrative requirements.

SERVICES - PLACE OF SUPPLY

The 'place of supply' of services for VAT purposes is crucial to determining whether a supply is within UK VAT rules or outside the scope of UK VAT and potentially subject to VAT in another EU country. The basic rule is that for VAT purposes the supply of services is made where the supplier belongs. However, there are certain exceptions with some services supplied where the services are physically performed, some where the customer belongs

and even some where the land relating to the service is situated! Obviously extreme care is required in establishing the correct VAT position of a supply of services.

If the place of supply is treated as being made in another EU country, your business may be required to register for VAT in the country concerned depending on the VAT rules in that country and can be irrespective of whether your business has a business establishment in the other country.

VAT REFUNDS IN OTHER EC COUNTRIES

If your business incurs VAT on business expenses in other EU countries and the business is not VAT registered or required to be registered in that country it may be possible to apply for a refund of this VAT from the relevant authority within specified time limits.

OVERSEAS BUSINESS ESTABLISHMENT

If your business has a business establishment in another EU country, the VAT rules of that country must be adhered to in relation to any business activities of the overseas establishment and this may require VAT registration in that country.

The above is only a very broad outline of the VAT position which may arise from EU cross border activities. It should be appreciated that this is a very complex area and professional advice should be sought to ensure that a business is fully complying with the relevant statutory requirements.

Erica White: whitee@goldmac.com

Property Tax Shock

Investors looking forward to tax relief available from 6 April 2006, by investing in residential property via self-invested personal pensions (SIPP), will be disappointed to learn that Gordon Brown has backtracked on this proposed pension reform and as a result this tax relief will no longer be available. The ban also extends to other assets such as works of art and fine wines. The controversial relief would have allowed higher rate taxpayers to buy second homes and buy-to-let properties at an effective 40% discount. However, the Revenue advised that there will be a modicum of protection for people who have already committed to buy off-plan residential property with their SIPP.

Mr Brown is also forging ahead with proposals to tax landowners who sell their land after obtaining planning permission. Site valuations soar once planning permission has been granted, sometimes by as much as 10-fold, and the Government said it would tax developers on that gain in value. The new tax, referred to as a Planning Gain Supplement (PGS), will apply to land for residential and commercial development and the Chancellor is set to take a proportion of that profit made by the landowner, likely to be in the region of 20%. The Treasury has set 2008 as the earliest possible start date for the PGS tax.

ROI Budget Highlights 7 Dec

- The exemption from tax on stallion and greyhound stud fees will end as of 31 July 2008.
- Companies Capital Duty is abolished for transactions effected on or after 7 December 2005.
- Tax relief for interest on loans taken out to acquire shares in or lend to a Property rental company is abolished for all new loans taken out after 7 December 2005.
- With effect from 1 January 2007, the amount of tax breaks used by high income taxpayers will be restricted. The amount of specified reliefs which a person can use to reduce their tax bill in any one year will be restricted to 50% of the person's income.

Philip Caughey: caugheyp@goldmac.com

Full House or Busted Flush?



Not since the dot.com bubble has a business sector experienced the rates of growth and hype enjoyed by online gaming, and more particularly, online poker. Driven forward by big money online and offline tournaments, the rise of celebrity poker players and celebrities playing poker, this most appealing business model has grabbed the attention of the financial markets and rarely misses daily coverage in the tabloid and broadsheet press.

Players can gamble anonymously, from the comfort of their own homes, with other players anywhere in the world. There is no chance of conventional cheating with computer models dealing almost perfectly random hands and sitting in front of a computer screen there is no need for a poker face. Interestingly, in what has been a traditionally male preserve, women have been drawn in increasing numbers to the online version.

The providers of online poker platforms have hit on what appears to be a no lose formula - for as long as they can attract enough punters anyway. The providers have no stake in the outcome of the game as such, depending on a cut from each pot for their income. However the amounts being gambled are very significant. The online poker market, still dominated by the US, is estimated to have grown from \$90million per annum in 2002 to \$1billion in 2004. PartyGaming, the biggest and best known operator accounts for over 50% of the market through its Party Poker site. There is also a number of intermediary customer facing businesses known as "skins" who utilise the platforms of providers, such as PartyGaming.

As might be expected, a sector enjoying this kind of growth provides tempting opportunities for founder shareholders to cash in their chips.

The PartyGaming flotation last June netted its four founders almost £1billion in return for a 21% stake in the business. The shares jumped over 50% in the after market from a flotation price of 116p to reach a high of 176p, valuing the company at almost £7billion. This valuation was however founded on assumptions that the sector would continue to enjoy phenomenal rates of growth over the next four to five years.

Ironically, within ten weeks of the flotation, PartyGaming issued a statement, along with its interim results, saying that growth had moderated faster than had been expected. The result was a 1/3 reduction in PartyGaming's share price to 105p, 10% below the flotation price.

Paul Newman once said: "If you are in a game of poker and you look round the table and haven't figured out who the sucker is, then it's you!" This holds just as good for the online version and professional or semi-professional players who haven't quite made it on the poker circuit can make a very good living at home. It's also easier to lose money and chase losses online when your credit card limit determines your spend rather than the physical cash in your pocket.

PartyGaming's admittedly impressive interim results to 30 June 2005 may however give some clues to the future. Although first half revenue increased by 81% to \$437million and net income (before share option and flotation costs) rose by 70% to \$249million, yield per player per day (ie average daily loss) fell by 7% to £9.65. This reduction has been interpreted as a sign that the sector is now reaching out to more casual players beyond the hard core. It may also be a sign that punters are getting tired of waking up to unpleasant credit card bills.

Michael Gibson: gibsonm@goldmac.com

WATERLOO BALL 2006

The Lord's Taverners, Northern Ireland Region, is delighted to announce that their next Waterloo Ball will be held on Saturday, 27 May 2006 at Shaw's Bridge, Castlereagh (formerly Cooke Rugby Club) with main sponsorship being provided by Phoenix Natural Gas Limited.

"Once again this will be Northern Ireland's premier black tie social event of the year" says Lord's Taverners Chairman Sam Goldblatt. "As in previous years, Ireland's largest marquee ball will feature dancing, dining and a celebrity cabaret on a par with the West End of London or Broadway. At the last event in 2004 we seated 1,000 people for dinner with the Celtic Tenors and the Four Tops heading the cabaret bill. Negotiations are well advanced for next year's world class cabaret.

In 2004 we raised £112,283.41 for the Lord's Taverners and the Northern Ireland Children's Hospice. Next year, with your help, we aim to beat this and provide much needed funds for the Lord's Taverners, Phoenix Energy for Children Charitable Trust and the Mayor of Castlereagh's nominated charity, MS".

JUNIOR CRICKET CUP



Robin Walsh, President of the Northern Cricket Union presents Academy Captain Brian Boyd with the Goldblatt McGuigan Junior Cricket Cup after their defeat of Woodvale in a closely fought final at Muckamore Cricket Club. Academy won by only one wicket.

WHERE HAVE ALL MY CUSTOMERS GONE?

Due to the large capacities, portability and simple installation of removable media devices, employees now have the opportunity to relieve their employers of their entire customer database in an instant. Memory sticks, flash drives, USB storage devices, mobile phones, PDA's threaten your business security with the potential of your most critical information being "gone in a flash!"

Memory sticks have become the most popular type of portable storage around today, and the number of people carrying such devices every day is on the increase. They are so cheap, that they are practically being given away and have become so easy to use that companies now even promote their use intra-organisation. But have you ever taken a moment to think about the security implications? My concern is compounded by the fact that the majority of companies do not audit what data their users/employees copy to these devices

attached to their computers. When we say attached this includes wireless connectivity as well as cabled into a computer. Furthermore, 99 per cent of people who utilise such storage devices to transfer data use no encryption to protect their contents.

Employers need to reasonably consider how easy it would be to remove the most critical business intelligence from their networks. When floppy disks came on the scene the fear was price lists going missing or into the hands of competitors. Now our fears are 1000 times more dangerous, and that is by no means an exaggeration. Floppy disks hold 1.44 MB of data, the most popular memory sticks hold approximately 1000 times that amount.

The good news is that there are enterprise solutions available to counter this problem and in the majority of cases avert our fears. Whether we encrypt the data stored on portable storage devices, password-protect access to the device or merely assign permission to only authorised



employees to use these devices on our networks, we are taking measures to enable a higher level of security on our networks. We can also deploy tools to monitor when the devices are being used and by whom on the network.

Steven Goldblatt: secureit@goldmac.com

Construction Industry Scheme

The Government recently announced that new regulations for making Construction Industry Scheme (CIS) payments have been delayed until April 2007. The new rules, which were to come into effect in April 2006, will require a significant overhaul of HM Revenue & Customs (HMRC) staff procedures and computer systems. It is thought that work to finalise these changes has not solved problems identified by tax advisers and construction industry groups.

Under the new rules, there will be no need to check a subcontractor's tax certificate or registration card; instead, a contractor must telephone HMRC to verify the subcontractor before making a payment. HMRC will advise the contractor how to pay the subcontractor; the contractor should record the verification reference supplied by HMRC.

Payment will be in one of three ways:

- Gross (no tax deducted)
- Under deduction of tax at the standard rate (in the current scheme, 18%)
- Under deduction of tax at the higher rate (up to 40%, if the subcontractor is not already registered in CIS)

Clearly HMRC wishes to target subcontractors not currently registered in the scheme, by ensuring they suffer a higher tax deduction. Contractors should be aware of the following points:

- To simplify the process, where the subcontractor's documentation has already been checked in the 2 years before the new scheme starts, there is no need to verify a subcontractor who was paid after 5 April 2005 (but only where the subcontractor's CIS documentation was checked at the date of that earlier payment, and the payment was included on the CIS year-end return).
- A monthly return of CIS payments is required, containing full details of each payment and subcontractor, including tax reference. Nil returns are also required, when no CIS payments have been made in the month.
- The monthly return will contain an employer declaration, stating no payments relate to contracts of employment. This suggests HMRC is keen to focus on

contractors who engage labour-only subcontractors, aiming to recategorise them as employees.

- To ensure compliance with the rules, HMRC will apply penalties for late returns (but not for the first 6 months of the new scheme).

In preparation for the new scheme, subcontractors should be keeping ALL their tax affairs up-to-date, as HMRC may make greater use of its powers. In the past it has rejected applications for gross payment from new subcontractors (for example for late payment of PAYE); under the new rules it may act more frequently to cancel gross registration for existing subcontractors - in effect, when there are repeated tax compliance failures (e.g. late payments/late returns of CIS/PAYE, late payment of corporation tax).

Next year we will be contacting all our clients affected by the new rules, to address any particular concerns which they might have about the new scheme.

Paul O'Connor@ oconnorp@goldmac.com

Clients in the News

Congratulations to **Heritage Developments'** Stephen and Angela Thompson on winning the NHBC Small-Medium Site Manager of the Year Award for their site at Governor's Gate, Hillsborough. Commenting on winning the award, Stephen said "I know it makes a difference to the way in which my team and I are regarded within the construction industry. It endorses the quality workmanship and craftsmanship of the homes and has a very positive effect on the feel good factor of existing purchasers".

Not only is **Regency Press** celebrating its 40th Anniversary this year but the well known printing company has moved into the movie business! Earlier this year the company was approached by a London movie production company requesting the use of Regency's City Centre premises for location shooting of the new Brendan Foley movie 'Johnny Was'. In July the cast and crew, including footballer-turned-actor Vinnie Jones, duly moved in. The shoot was a great success and Regency MD Bobbie Beattie is delighted that the company had such a memorable experience in this very special year.

To mark 20 years in business **Consilium Technologies** have raised an impressive £20,000 for the Neo Natal Unit of the Royal Victoria Hospital. Fundraising activities included a 'Ctechs Xtreme Bowling

Extravaganza' at the Dundonald International Icebowl. Well done to all concerned!

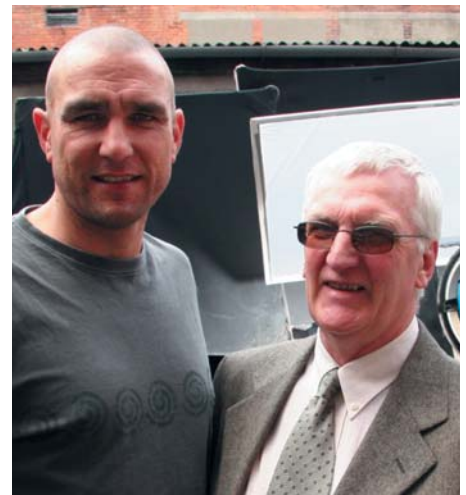
Financial Services company **Higgins Insurance and Investments** has set up a new advisory service in association with The Belfast Telegraph and to launch the tie-up the company recently ran two property focused seminars at the Culloden Hotel one on investing in property using your pension and the other on equity release.

Well done to **NICVA** for another excellent Annual Link Awards event recognising companies and organisations who have supported the voluntary and community sector over the past year. The overall Link trophy went to the Police Service of Northern Ireland for their generous support of the NSPCC in NI.

Savile Row, the quality shirts manufacturer, has established a strategic partnership with Superior Apparel in Boston, one of North America's top clothing companies. The relationship has already resulted in widespread distribution for the Savile Row brand in a network of upmarket department stores across the US. In the longer-term Savile Row hope to develop franchise stores with Superior Apparel.



Stephen Thompson, Heritage Developments accepts his NHBC Award from UTV personality Lynda Bryans



Vinnie Jones and Bobbie Beattie on the set of 'Johnny Was'

TAX UPDATES

WORKING TAX CREDITS

Payment of Working Tax Credits via the Employer is being phased out between 7 November 2005 and 31 March 2006 and will now be paid directly by HM Revenue & Customs to the claimant. However it is the employer's responsibility to notify all employees who receive WTC of this change either via letter or email.

NATIONAL MINIMUM WAGE RATE RISE

Rate per hour £	Workers aged
5.05	22+
4.25	18-21/22+ & training
3.00	Under 18 (Who are above compulsory school leaving age)

PAYE FILING ON-LINE FOR TAX FREE PAYMENTS

If you have fewer than 50 employees and you filed your P35 online for the 2004/05 tax year, you should soon receive notification of the £250 reward. This amount will be credited to your PAYE payment record and you will have the option of either setting this amount against your next PAYE payment or obtaining a cheque.

EMPLOYEE PROVIDED VAN

From 6 April 2005 where employers provide vans to their employees and the private use is restricted to mainly home to work journeys, a benefit in kind will no longer arise and therefore there will be no employer Class 1A NIC charge.

COMPANY CAR – DIESELS

For diesel cars which do not meet the required Euro emissions standard, a 3% supplement is added to the percentage used to calculate the car benefit in kind (but not to exceed the maximum charge of 35%). From April 2006, even diesel cars (registered from 1 January 2006) which do comply with the Euro standard will now also be subject to this 3% supplement.

CHRISTMAS CHEER – STAFF PARTIES

Staff are not taxed on entertainment provided by their employer, if the cost per head of all entertainment, does not exceed £150 in the tax year. The cost will be an allowable deduction for the employer.

WIP Valuation Update 2006



UITF Abstract 40, Revenue Recognition and Service Contracts, has now come into force and must be applied for all accounting periods ending on or after 22 June 2005.

The implementation of UITF 40 leads to a situation where all contractual activity must be taken as revenue as the work progresses. While businesses such as accountants, lawyers and architects are some of the most high profile casualties of this new regime, all other service providers will now have to reconsider how they recognise income and the resulting impact on their tax liabilities.

The key implications are -

Accounting Policies

Any change to the revenue recognition accounting policy arising from the implementation of UITF 40 will have to be reflected as a prior period adjustment, i.e. in the first year of implementation of the policy the current year and comparative figures will reflect the uplift in profit.

Example: A company with a year end of 31 December will apply the new accounting treatment to year ended 31 December 2005. The 2005 accounts are adjusted as follows:

The closing uncompleted work is valued at selling price and included as income for this year, along with all other amounts actually billed during the year.

The opening uncompleted work, which is likely to have been accounted for as work in progress at 31 December 2004 at cost, is now restated to selling price. Income is increased and the work in progress figure is replaced by the closing unbilled work at 31 December 2004.

Tax Effect

The tax effect of the new accounting treatment will vary from sector to sector but can be expected to be significant for a large proportion of businesses.

Any increased tax charge will result from the increased profits in the first accounting year of implementation. This will be compounded by the original tax liability resulting from restated increased profits in the prior period (due to the prior period adjustment explained above).

The Government announced in their Pre-budget Report on 5 December that they will legislate in the Finance Bill 2006 to enable most businesses affected by the changes in the income recognition rules to spread any extra tax charge over three years, while those businesses most severely affected will be able to spread the charge over a period not exceeding six years.

Cash Flow Effect

Arguably the most urgent matter for firms to pay attention to is the potentially significant cash effect of the large tax liability which may arise as a result of these changes. The Government's welcome Pre-budget announcement will at least soften the blow of the increased tax liabilities.

A major area that businesses should concentrate on as they approach the first year end after implementation is to ensure that they bill as much of their year end work in progress as possible. This should improve the working capital provision of the business - assuming that the amounts billed can actually be collected, and within a reasonable timeframe.

Susan Dunlop: dunlops@goldmac.com

COMPUTERISED ACCOUNTING ARE YOU MAXIMISING THE BENEFITS?

SME's, no less than any other business, require access to accurate and timely financial information to ensure that they are able to monitor their performance and to take appropriate action when necessary.

In our view, a significant proportion of users of accounting software in the SME sector are not maximising the effectiveness of their accounting system. From our experience key pitfalls include the following:

- Incorrect posting of opening balances - for example posting using a date in the current financial year.
- Poorly structured nominal coding with too many unused, unnecessary and duplicate nominal codes. This provides the user with too many options and can lead to confusion and inaccurate posting.

- Failure to perform bank reconciliations on the system on a weekly/monthly basis. Online banking has now provided much easier access to real time information to enable bank accounts to be more closely monitored and regularly reconciled.

- Incorrect use of Tax Codes that are utilised in preparing VAT returns - for example standard rate items should be coded as T1 and non-vatable transactions as T9. It is important that due care and attention is given to ensuring that the correct VAT code is used.

From a management information viewpoint the six key monthly reports are Profit and Loss Account, Balance Sheet, Aged Debtors Listing, Aged Creditors Listing, Reconciled Bank Statement and Un-reconciled Bank Transactions.

These reports should be printed and filed monthly. In addition there are many other types of report available such as Top Customer List (by month/year), Top Customer Report (by cash received) and Top Supplier List (by month/year).

In essence, a computerised accounting system should provide management with key information to make decisions to monitor, grow and develop their businesses.

The benefits of a properly implemented and managed computerised accounting and information system should not be ignored. The potential benefits far outweigh the costs and it is better to be proactive now than reactive in the future. Foresight is always better than hindsight!!

Gerard O'Callaghan: ocallaghan@goldmac.com