

Successful Succession- Designing your Exit Strategy



As we all know, running a business can be chaotic – staff issues, achieving sales targets, managing the finances, the list is endless. An area that can be forgotten is how you plan to exit from the business – Succession Planning.

The four key elements to any successful business exit strategy are:

1. Identify the "successor". This can be a family member, an employee or co-director/partner or a third party such as a competitor or customer.
2. Predict the optimum time to exit. This is often dictated by the age of the owner but where the plan is put in place early enough it is usually possible to predict the point in the life cycle of the business at which it is most suitable to exit.
3. Decide on the target exit price. It has become common for the exit to be achieved by a sale, for considerable sums, to a non-family member. A decision on the target price will therefore need to be made and the business will then have to be groomed to ensure that it can achieve this value.
4. Get the tax structure right. This is one of the areas of taxation law that contains the largest number of potential reliefs and will form a key element of your exit strategy.

With a structured plan in place for your exit from the business, you can avoid a stressful and difficult situation, often resulting in financial loss. Putting a plan together takes time and careful consideration so avoid putting it off until tomorrow – get started today!

Warm Regards,
David Price
Partner - OSK Tax

CPA Associates International Conference

The CPA Associates International conference took place in Jersey in September this year. Imelda Prendergast, Partner – Small Business Support, represented OSK at the conference.

About CPA

OSK is the Irish representative of CPA Associates International, an international network of independent accounting firms located throughout the world.

CPA is represented in most major US cities, in South America, Australasia, Middle East, the Pacific Rim and Europe.

Our membership of the association allows us to draw on a pool of international expertise on business and taxation issues with the benefit of broadening the service provided to our clients.



Pictured at the CPA conference were l to r - Jim Flynn, President, CPA International; Jeff Baron, Corniche Trust Company Ltd, Howard Lewis, Chairman, CPA EMEA, Jonathan Scott Warren, Director, Rosscot Jersey.



L to r - Jim Flynn, President, CPA International, Imelda Prendergast, Partner OSK

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Due Diligence

What's it all about?

It is difficult to overstate the importance of the Due Diligence exercise, as failure to conduct an adequate due diligence carries significant risks, while a thorough due diligence offers benefits which could transform the prospects for the business.

So what does it mean?

The term originated in the US and it is applied to a wide range of 'investigations' in a variety of financial and commercial transactions.

Due diligence is used to describe the process of investigation into the financial and increasingly, the commercial affairs of a business, conducted by a purchaser as part of a wider investigation embracing all aspects of the target company, prior to acquisition.

What are the benefits?

- Stronger Negotiating Position
- Reduce Risks
- Prepare for Integration

What are the applications of Due Diligence?

Examples of some of the typical transactions in which due diligence is applied today include:

The purchase or sale of a company	Investigation into all relevant aspects of the Company
The purchase or sale of the assets/liabilities of a business	Investigation into the assets and liabilities being acquired
Establishment of a joint venture	Investigation into the joint venture partner and any assets/liabilities being transferred to the joint venture
An Initial Public Offering of a company's shares on a stock exchange	Investigation into all relevant aspects of the Company
A lender providing finance	Investigation into the viability of the relevant project and an assessment of the creditworthiness of the borrower
Contracts generally	An assessment of the creditworthiness of the other party

Why warranties are not a substitute for Due Diligence?

Some buyers in an effort to save costs, seek to alleviate transaction risk by substituting warranties and indemnities from the seller, in place of due diligence. As a general rule this approach should not be recommended for the following reasons:

- The buyer is not able to quantify the risk
- Sellers are more co-operative prior to closing
- Warranties and indemnities are often limited as to time/amount
- Seller may not be in a position to pay
- Warranties are often qualified as being "to the best of the seller's knowledge"

If you want any advice on Due Diligence please contact Dylan Byrne on 01 439 4224.

Time to review your pension contribution to reduce your tax bill due on 31st October 2005!

For example, assuming:

- You pay tax at 47%
- Your balance of tax for 2004 is €15,000
- You made a pension contribution of €8,000
- This would reduce your tax bill by €3,760
- Your preliminary tax for 2005 would also be reduced by €3,760

For further information please contact Imelda Prendergast – OSK Small Business Support on t: 01 439 4206 e: prendergasti@osk.ie

The countdown is on - Tax Deadlines 31st Oct 05

31 October 2005 is the due date for:

- Submitting your personal Income Tax return for 2004
- Paying the balance of Income Tax for 2004
- Paying your Preliminary Income Tax for 2005
- Paying Capital Gains Tax on disposals in the period 1 January 2005 to 30 September 2005
- Making pension top-up payments for 2004

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Last Orders For Tax Incentive Schemes?

In his budget speech in December 2004, the then Minister for Finance announced the termination of a large number of property based tax incentive schemes. In true McCreevey style he announced the final termination of such schemes by, in fact, extending the existing deadline of 31/12/2004 to an absolute and final deadline of 31/07/2006. This extension to apply only in cases where a full and valid planning application was received by the relevant local authority on or before 31/12/2004. In practice, Revenue will accept as valid any application received by the Local Authority up to 7th January 2005.

In effect, if you got your full planning lodged by 7th January 2005 you have until 31/07/2006 to build out the project to avail of the relevant tax incentive.

It is important to appreciate that although the final deadline for construction is fast approaching, the planning deadline has passed. Therefore, the supply of the majority of tax incentive properties cannot increase

above that which is currently available in the development pipeline. Consequently now is the time to consider whether or not such an investment makes both commercial and tax sense.

In our experience there are two main types of property investors to whom these type of tax incentive investments are particularly attractive: -

- Tax Payers with existing profitable Irish source rental income, and
- Company Directors where the company trades from a property owned personally by the Director. A suitable tax incentive property can enable the tax effective extraction of profits in such a scenario.

Although there is undoubtedly a premium attaching to the price of all such properties, they still can have an important role to play in tax planning where the premium is not excessive. Coupled with possible interest only loans where appropriate and paralleled with proper pension planning, such an investment can be both highly tax effective and commercially profitable.

In OSK Tax, we have devised a number of innovative methods by which these investments can be structured to maximise their tax effectiveness.

New People

Welcome to Ray Masterson, Assistant Manager - OSK Audit & David O'Reilly, Trainee Accountant - OSK Small Business Support who joined our team over the past few months.



Ray Masterson



David O'Reilly

The Revolution Is Here!!



By now you have probably heard the whispers about Wireless office, 3G, & Mobile Connect Cards.

Successful Business is run in ways that we never thought was imaginable. In a world of complex mobile tariff structures and technology, most companies are unaware if they are getting the best value for their money in the mobile marketplace!

Vodafone's Wireless Office Tariff has been designed to mould to any type of usage and with the lowest monthly call rate on Vodafone, the lowest call charges, FREE internal company calls, FREE Voicemail and an additional 60 minutes per month to any national or Vodafone number. How could you go wrong?

3G is an enhancement to Vodafone's existing network which delivers data speeds up to 7 times faster than using GPRS. This brings many new applications such as Data cards, video messaging, music downloads, video conferencing, larger file transfer etc.

The beauty of Vodafone's Mobile Connect Card is that it allows user's mobile wireless access to the internet and company/pop3 e-mail with speeds comparable to Broadband.

How would you know if you were paying too much for your mobile costs? – This is a question that most companies find very difficult to answer.

At Cellular Services Ltd., as Vodafones largest Broker Agent & biggest customer, we are in a position to offer you a completely FREE CONSULTATION on how to optimise your Company's Mobile phone usage, help you to develop your mobile communications strategy and explain everything to you in a language you can understand.

For more information email: info@cellularservices.ie or call the Business Team on 01 799 6300



"Cellular Services prides itself on getting the best possible value along with the highest level of service for SMEs in the mobile marketplace – we make the seemingly complex very simple and there is nothing we don't know about this market"

John Quigley
Head of Business & Corporate

Exam Results

Promotion

Well done to the huge number of staff who recently passed accounting and Tax exams - Catherine Lowth, Olga Ciesielska, Kenneth Earley, Michael Walshe, Diarmaid Dooley, Niamh O'Rourke, Brian Fitzpatrick, Alan Ward, Lauren Allman, Aine Mulligan, Aine Moran, Stacy Flynn, Tim Roddy, Caroline Elmes, Frances Nolan and Clíodhna Grant.

Congratulations to Keith Doyle who has been promoted to Assistant Manager in our Audit team.



OSK People

Fiona Guckian

Title
Assistant Manager
– OSK Audit

Specialist Area
Audit

Hobbies & Interests
Play senior camogie with St. Judes
GAA club, Any GAA match
and reading

Most recent book
DaVinci Code, Dan Browne

Last holiday
Portugal

OSK services

OSK Audit

OSK Tax

OSK Business Advisory Services

OSK Consulting

OSK Corporate Finance

OSK Contracting

OSK Small Business Support

OSK Company Secretarial

Disclaimer

These articles provide a general guide only and specific advice should be sought before any action is taken.

OSK is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business.

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