



‘Houston we have a problem’



– Famous words of James Lovelle, crew member on the US Apollo 13 moon flight reporting a major technical fault back to their Houston base.

The reaction from those who heard the words was shock, silence and inaction.

Everyday in business and personal life we come across ‘problems’ from new regulations and environments including:

- Company Law
- Taxation Amendments
- Director of Corporate Enforcement
- Employment Legislation.

This is not to mention people ‘problems’ such as customers, suppliers, employees and even family.

At OSK we do not have problems but have ‘situations’.

A situation can be analysed, rationalised and in most cases have creativity added to the mix. This approach to the situation usually leads to clear action and solutions.

‘Problems’ stifle clear thinking, analysis and creativity.

The next time you have a ‘problem’ sit back and think how you are going to tackle the situation. You never know – it may lead to a great opportunity!

Warm Regards,
Brian Dignam

OSK attend CPA conference in Athens



The CPA conference was held in Athens in September and David Price and Imelda Prendergast represented OSK at the event. Pictured with them is Howard Lewis – Chairman, CPA EMEA.

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

Goal Jersey Day at OSK



OSK participated in Goal Jersey Day in September raising funds for this very worthy charity. Pictured wearing the jerseys on the day are Dylan Byrne and his team.

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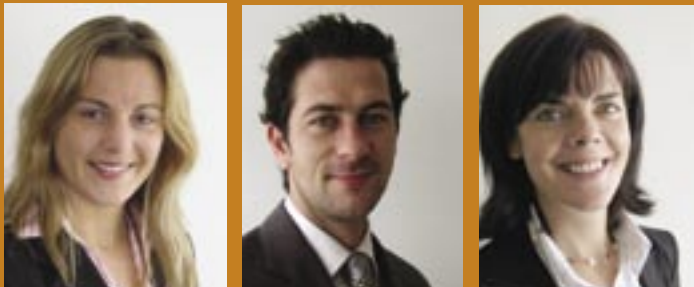
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Succession or exit planning is something that all business owners have to address sooner or later and in common with most key business decisions – the sooner the better.

The four key elements to a successful business exit strategy are: –

1. **Identify the “successor”.** This can be a family member, often a child, an employee or co-director/partner or a third party such as a competitor, supplier or customer.
2. **Predict the optimum time to exit.** 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 for exit. A business at its peak being sold by a 49 year old will achieve a far higher price than a “distress sale” by a 65 year old of a failing business.
3. **Decide on the target exit price.** It has of course been common practice in Ireland for many years for the successor to be a child of the business owner and in such cases the exit price was quite often zero.
4. **Get the tax structure right.** Transferring ownership of a business is a financial transaction and like all other such transactions it will give rise to tax leakage. However, this is one of the areas of taxation law that contains the largest number of potential reliefs. As these reliefs can be very valuable a key element of any exit strategy must be to ensure that, where appropriate to the strategy, they are capable of being availed of.

With the increase in business values over the tiger period, however, it has become more common for the exit to be achieved by a sale, for considerable sums, to a non-family member. Where this is the chosen strategy a decision on the target price will need to be made and the business will then have to be groomed to ensure that it can achieve this value.



■ Promotions

Congratulations to Fiona Guckian and Keith Doyle who were promoted to Manager – OSK Audit and to Aideen McGinn who was promoted to Marketing Director.

Time to review your pension contribution

to reduce your tax bill due on
31st December 2006!

For example, assuming:

- You pay tax at 42%
- Your balance of tax for 2005 is €15,000
- You made a pension contribution of €8,000
- This would reduce your tax bill by €3,360
- Your preliminary tax for 2006 could also be reduced by €3,360

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

Businesses For Sale/ Businesses Wanted



- Highly profitable family owned paper product light manufacturing and distribution company. Turnover circa €2m p.a.
- Established Dublin based international freight forwarding business.



- Import & Distribution business – consumer electronics or similar, preferably based in Greater Dublin area.

Please contact David Price with any enquiries in relation to the above or to list your business here.



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Audit – What's New Over The Summer!

During the summer months there were a number of announcements that came about that have had or will have an impact on the auditing and accounting environment, which in turn may impact on some element of your business.

These include:

European Council Update – auditing directive:

In May 2006 the EU issued a directive updating EU rules on accounting. The Directive is aimed at reinforcing the reliability of financial statements. It does this by establishing minimum requirements for the audit of annual accounts and consolidated accounts. It contains measures relating to the use of International Standards on Auditing, quality assurance regimes for audit firms, and independent oversight of the auditing profession. It is the government's aim to begin its transposition later this year.

Publication of audit exemption Bill

Investment Funds, Companies and Miscellaneous Provisions Bill, 2006

A provision in this Bill, issued in June 2006, increases the turnover limit to €7.3 million and the balance sheet total limit to €3.65 million. The raising of the threshold is an important step forward for the SME sector and will allow us to provide a range of additional value adding services to clients. This development reduces the administrative burden on SMEs and creates parity between the audit exemption thresholds operating in Ireland and other European jurisdictions.

Financial Regulator replaces Intermediary Handbooks

In August of this year the Financial Regulator replaced the Handbook for Authorised Advisors and the Handbook for Restricted Intermediaries with the Consumer Protection Code and the Handbook of Prudential Requirements for Authorised Advisors and Restricted Intermediaries. Going forward a regulated entity is required to apply these handbooks in place of the outdated handbooks. Copies of the new handbooks are available on the website of the Financial Regulator – www.ifsra.ie.

Reports on Unincorporated Entities

The ICAI has published Miscellaneous Technical Statement M48 - 'Chartered Accountants' Reports on the Compilation of Historical Financial Information of Unincorporated Entities'.

This Miscellaneous Technical Statement is intended to give general guidance to members when they compile historical financial information of unincorporated entities for a specific purpose or purposes, for example financial information compiled for tax purposes, partnership accounts or the compilation of financial information (without providing any form of assurance) for grant claims.

As you can see there have been some significant announcements over the summer months which will have a considerable impact on the audit and accounting profession now and in the coming years. Should you have any questions or queries arising from the article please do not hesitate to contact a member of our audit department.

Exam Success

Well done to the following who recently passed exams: Aine Mulligan, Stacy Flynn, Aine Moran, Tim Roddy, Niall O'Sullivan, Caroline Elmes, Edel Wynne, James Devine, Declan Moore, David O'Reilly, Alan Foley, Stephen O'Connor, Olga Ciesielska, Paula Loughney and Michael Walsh.

New Faces

A big welcome to the trainee accountants who joined OSK in recent months – Keith Lynch, Deirdre Traynor, David Ward, Caitriona Doyle, Mark Diamond-Kelly.



Keith Lynch



Deirdre Traynor



David Ward



Caitriona Doyle



Mark Diamond-Kelly

Managing overheads in a vibrant economy



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Maintaining overheads in a vibrant economy is an ever-increasing challenge. With inflation running high, it is particularly challenging to keep overheads down, especially labour costs, even with the effects of introducing migrant labour into the economy.

If a business adopts reactionary measures by radically cutting back overheads, during downturns in the economy or loss of market share, it is usually too late. Overhead costs should be constantly reviewed and challenged to ensure that your business is getting continuing value for money. This can be done through benchmarking with industry norms, performing cost benefit analyses, outsourcing non-core activities, or employing an independent party to perform expenditure analyses.

Cutting back on headcount is certainly one way of implementing cost savings. However this is not without its headaches. If there is a sudden upturn, you will find it difficult to replace skills previously lost (especially while Ireland is enjoying effective full employment), and can cause considerable uneasiness within the remaining workforce.



Overall business planning, forecasting, re-forecasting and regular product/service line reviews are key to ensuring healthy and profitable organisations. These reviews are not complete unless they include a detailed review of overheads. Furthermore, those in attendance and the actions that are produced at these reviews are as important as the reviews themselves. We at Dalkia perform such reviews at least monthly, and ensure that key decision makers are involved in the process. In this way we can constantly reappraise the targets set, and challenge overhead costs, to maintain a lean overhead structure that can be flexed with the ever-changing business environment that we operate in today.

It is part of every FD's role to ensure that overheads are managed and maintained at appropriate levels to support the business. This includes ensuring that you understand at all times what the core run rate of overheads is, continuously challenging the "luxury costs" and ensuring that you know which overhead costs you can immediately "switch off" in a downturn or change in business environment.

Having this information readily to hand, will certainly give FD's and senior management the ability to react quickly and efficiently in a dynamic Irish economy.

In Ireland Dalkia employ over 400 people on a nationwide basis. The group provides managed energy, utilities, and facilities services, and lighting installation and maintenance in public areas. Dalkia on a global basis employ 47,000 people in 38 countries and reported 2005 managed revenues of €6.1 billion.



OSK People

Imelda Prendergast

Title

Partner – OSK

Small Business Support/Contractors

Specialist Area

Business Start Ups, Tax and Contractors

Hobbies & Interests

Hill walking/Mountain trekking, expeditions include Julian Alps/Slovenia, Camino/Spain, Mt Kilimanjaro/Kenya

Favourite books

'The Kite Runner' – by Khaled Hosseini

'Perfume' – by Patrick Suskind

Favourite Film

'As Good As It Gets' starring Jack Nicholson

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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