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In this issue...

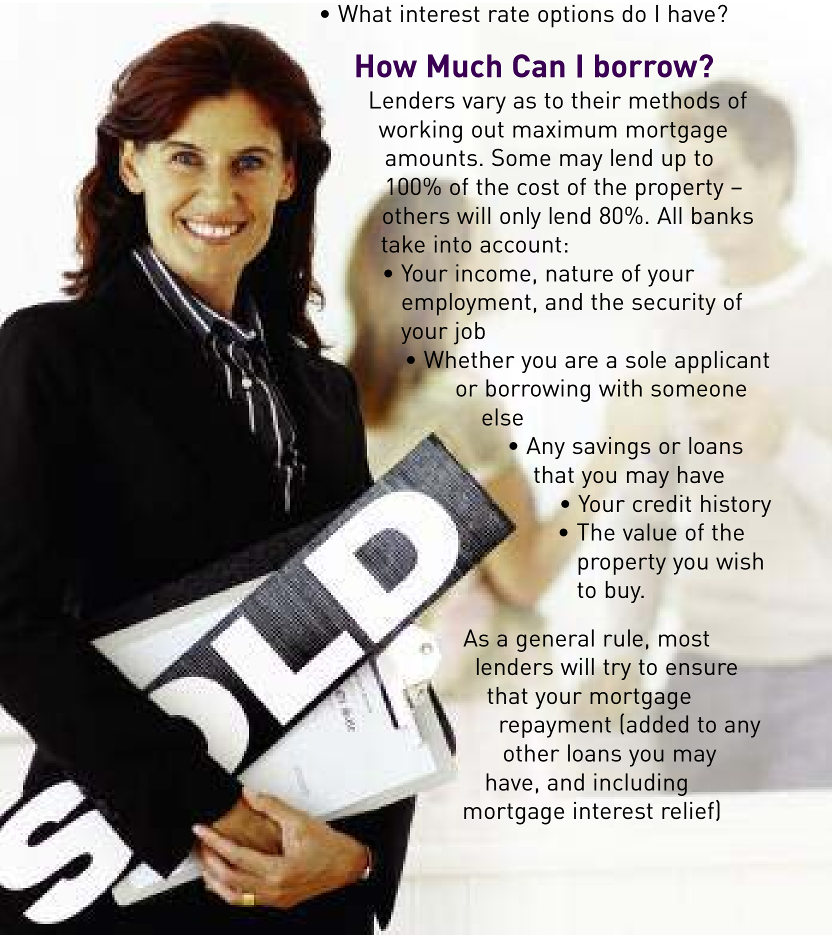
Your Mortgage – Make your decision

Taking out a mortgage will probably be the single biggest financial decision many of us ever make. It is also the longest financial commitment you will ever enter into. Therefore it is important to choose the right mortgage and provider. There are two main types of mortgages:

Annuity mortgage – where you make an interest and capital repayment every month
Interest only mortgage – where you only make an interest payment every month – the principal remains outstanding at the end of the mortgage term

Whether you are buying a home for the first time, switching mortgage provider, or trading up, you need to shop around. Most people have similar questions:

- How much can I borrow?
- How much can I afford to borrow?
- How long should I borrow for?
- What interest rate options do I have?



How Much Can I borrow?

Lenders vary as to their methods of working out maximum mortgage amounts. Some may lend up to 100% of the cost of the property – others will only lend 80%. All banks take into account:

- Your income, nature of your employment, and the security of your job
- Whether you are a sole applicant or borrowing with someone else
- Any savings or loans that you may have
- Your credit history
- The value of the property you wish to buy.

As a general rule, most lenders will try to ensure that your mortgage repayment (added to any other loans you may have, and including mortgage interest relief) doesn't go above 40% of your monthly take home pay. There are a number of exceptions to this rule, and for exact interpretation, consult your financial advisor.

How much can I afford to borrow?

While it is tempting to borrow as much as possible, good financial planning should ensure that you will be able to cope with unforeseen future events – from higher interest rates to illness/redundancy. When assessing your mortgage stress test (your ability to repay), all lenders look at your ability to repay the mortgage if interest rates rise by 2%.

How long should I borrow for?

You can get a mortgage from 5 years to 40, depending on your age and your ability to repay. As a general rule, the shorter time taken to pay off the mortgage, the less cost. A mortgage of €100,000 taken over a term of 20 years at a typical rate of 5% will have a total repayment of €158,000. The same loan over 40 years will cost €231,000.

What interest rate options do I have?

With all interest rate options, it is important to shop around, and to compare Annual Percentage Rates (APR) so as to assess the various Bank offerings. In the main there are three types of interest rates available:

1) Variable rate
2) Fixed rate
3) Split rate

Variable Rate

You can choose from a number of variable rates, which generally rise and fall in line with EU interest rate changes.
Standard variable rate – this is the traditional variable rate on offer from Irish banks. It depends on the lenders cost and level of competition in the market. It may vary considerably with ECB (European Central Bank) rates.
Tracker Variable rate – this has become very popular in recent years. It is a fixed percentage above prevailing ECB rates. For example 1% over ECB. If the ECB rises by 0.5%, so will your tracker rate. It will also track decreases in the ECB rate. This rate applies over the life of the mortgage.
Discounted variable rates – generally a short term introductory offer by a lender set below standard tracker/variable rates. Usually offered to new customers or first time buyers. It is important to find out before accepting the mortgage what rate it reverts to after the discount period is over.

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Capped rate – this is a variable rate that can rise to a certain level but not beyond it – regardless of ECB rates.
LTV rates – relatively new in the Irish market, many lenders now offer significant discounts/lower margin tracker mortgages to those whose mortgage size is significantly lower than the value of their property. Typically, a loan to value below 60% can attract very small margins.

Fixed Rate
With a fixed rate mortgage your interest rate and monthly repayments are fixed for an agreed period of time – typically 1, 3, 5 or 10 years. After the fixed rate period you may fix again at revised rates, or you may revert to variable. Fixed rates are generally regarded as appropriate for those whose finances are stretched, such as first time buyers or for people who like the peace of mind of set, regular repayments. These rates are not as flexible as variable rates. If you are in a fixed rate contract, you may face penalties for switching mortgage, moving to a variable rate or paying off your mortgage. Generally you cannot repay more than the standard repayment, so you have less opportunity to save on interest charges.

Split Rates
This is when a part of your mortgage is on a fixed rate and a portion is on a variable rate. Generally regarded as a good option in times of uncertainty in interest rate movements

Existing mortgages – changing circumstances

Your needs change as you go through various life stages, and you may need one of the following options:
- Increasing your mortgage
- Switching lenders
- Equity release
- Consolidating debt

Increasing your mortgage
If the value of your property, together with your financial circumstances allow, many lenders will allow you to increase your existing mortgage. The additional amount you can borrow depends on how much your home is worth as well as your ability to repay. This additional mortgage can be used for home improvements, paying off higher cost loans, or to purchase a new car/holiday. When the increase in mortgage is for a short term, typically 5 years, it can be a very good value source of funds. If you decide to increase your mortgage, you usually will have to pay for a valuation fee, legal fees, and additional mortgage protection life insurance.

Switching lenders
This is a big area of growth in the Irish mortgage market as competition between lenders increases. New mortgage deals appear regularly so it is advisable to keep an eye on products available. Frequently lenders will pay legal fees or make a contribution towards the legal fees and valuation fees. Interest rates on these switcher products can be very competitive.

Equity release
The main type of equity release is for people over 60, who may have significant value in their property with little/no debt on their home. The customer may have a small/reduced income post-retirement. This type of loan involves the home owner not making any monthly repayments until the property is sold. They are not for everyone, and can be quite complex.

Consolidating debt
This means taking out a single loan to pay off short term, more expensive borrowings. Mortgages are among the cheapest forms of credit available as they are secured on your home. If you roll all expensive credit card debt and personal loans into your mortgage, you will be able to avail of much lower interest rates. Despite this, debt consolidation can be expensive if the short term debt is rolled into a mortgage over a long term. The following table outlines just such a case:

Loan Details	Amount Owing	Remaining Term	Typical APR	Monthly payment	Cost of Credit
Existing Mortgage	€150,000	19 years	4.75%	€1,000.05	€78,010.62
Home Improvement Loan	€25,000	9 years	4.95%	€287.33	€6,031.55
Car Loan	€12,000	4 Years	7.5%	€290.15	€1,927.05
Personal Loan	€7,000	3 Years	12%	€232.50	€1,370.01
Total	**€194,000.00**			**€1,810.38**	**€87,339.23**
The new cost of a Consolidated loan would be:					
New Loan	€194,000	19 years	4.75%	**€1,293.39**	**€100,893.73**

Despite the smaller monthly repayment and the reduced interest rate applied, the debt consolidation mortgage would cost you an additional **€13,554.50**

PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

Income Tax

Filing date for 2006 return of income	31 October 2007
Pay preliminary Income Tax for 2007	31 October 2007
Online filing date of 2006 return of income	15 November 2007
Online payment of preliminary Income Tax for 2007	15 November 2007

Capital Gains Tax

Payment of Capital Gains Tax for the disposal of assets made between 01 January 2007 to 30 September 2007.	31 October 2007
Online payment of Capital Gains Tax for the disposal of assets made between 01 January 2007 to 30 September 2007	15 November 2007
Payment of Capital Gains Tax for the disposal of assets made between 01 October 2007 to 31 December 2007	31 January 2008

Transfer of Business

Revenue has provided legislation to simplify the VAT arrangements surrounding the transfer of a business. Where a business or part of a business is transferred, and the new owner is VAT registered and will put the underlying assets being transferred to a business use, VAT does not have to be charged on the transfer. This is essentially a cash flow saving mechanism. It is worth noting that the underlying assets must be capable of being operated as a business. A mere collection of assets will not qualify for this relief. Where VAT is charged in error, Revenue may disallow the reclaim of VAT, thus it is imperative that the correct VAT treatment is applied from the outset. Also, although VAT is not charged on the transfer of the business, the assets forming part of the business may still be VATable and as such, subsequent sales of same may result in a VAT charge.

Proposed Changes to VAT on Property

Revenue has been conducting a review of the current VAT on property regime and are at present finalising a framework, which will come into operation in 2008. Some of the major changes proposed are as follows:

- The distinction between a lease in excess of 10 years being a supply of goods and a lease of less than 10 years being a supply of services is gone.
- VAT is charged on a new building if there is a sale of a freehold interest or if the supply constitutes the ownership of a property i.e. a leasehold interest for 999 years with a nominal rent.
- Sales of second hand buildings will be VAT exempt. (There will be an option to tax provided certain circumstances are adhered to).
- Transformed buildings, i.e. buildings that have been altered, extended or demolished may be brought into the VAT net where the cost of the work exceeds 25% of the sales price of the building.
- Lettings of property will be exempt from VAT. An option to charge VAT on the rent may be availed of where the tenant has in excess of 90% VAT recovery and the property is not residential.

Transitional rules will be effected to bridge the gap between the old and the new rules.

Consumer Report

In recent months consumers in Ireland have been under a lot of pressure. Interest rates have risen steadily since December 2005 and the frequency and scale of these increases has had a negative impact on consumer sentiment. This combined with high house prices and the fact that the majority of house owners have variable interest rate mortgages has meant that more and more of income is going towards mortgage repayments. There has also been a number of high profile job loss announcements. Other price increases have been announced, such as energy prices and health insurance costs, which all contribute to a higher cost of living. Thus, consumers are increasingly worried about the state of their personal finances. The impact of these accumulated factors has been to lower consumer confidence over the past 12 months, which is now at levels last seen towards the end of 2003.

Spending by consumers is an important part of the Irish economy, making a substantial contribution to economic growth each year. This is partly a reflection of the fact that Ireland has a young population. Recent census figures show that 67 per cent of the population is aged under 44, with nearly 47 per cent of the population aged between 15 and 44 years. These are key age groups for spending and setting up independent households. It is also due to the growth in employment and incomes over the last number of years.

However, one of the issues in Ireland is the fact that the cost of living is relatively high when compared with other OECD countries. International measures produced by the OECD comparing price levels show that for a representative basket of goods and services Ireland is one of the most expensive, fourth out of 30 countries. Indeed, Ireland is only behind Iceland, Norway and Denmark, countries that traditionally would be seen to have a high cost of living.

There is also evidence pointing to the fact that not only are price levels in Ireland higher than in many other European countries but price growth is higher as well. Inflation has also been higher in recent months, averaging 5% monthly since the beginning of the year. The statistics also show quite a difference in inflation in services prices when compared to the price of goods. In August, services prices, which include insurances, education fees, meals out and childcare rose by 8.5 per cent whereas inflation in the price of goods was just 0.2 per cent. European measures of inflation exclude a number of items, for example mortgage interest, but the measure does show that inflation in Ireland is above the average for the European Union. Indeed price growth in Ireland is ahead of that in many of the established European countries and is only below inflation in the Eastern European states, Hungary and Italy.

One of the main concerns in recent times has been the steady rise in interest rates. Rising interest rates have put pressure on borrowers as repayments have increased, in some cases substantially. However the increase in interest rates does have the positive effect of increasing the return to savers. At the very least this will mean that the negative impact of inflation on savings should be reduced.

Although the last year has been a difficult one for consumers, in general the outlook is quite good. Although the rate of growth is expected to be slower, employment is expected to increase, as are incomes. There is now a view that interest rates are at or close to the top of their cycle and so consumers are unlikely to be subjected to another series of interest rate rises. Whether this is sufficient to outweigh the negative sentiment that prevails at the moment remains to be seen.

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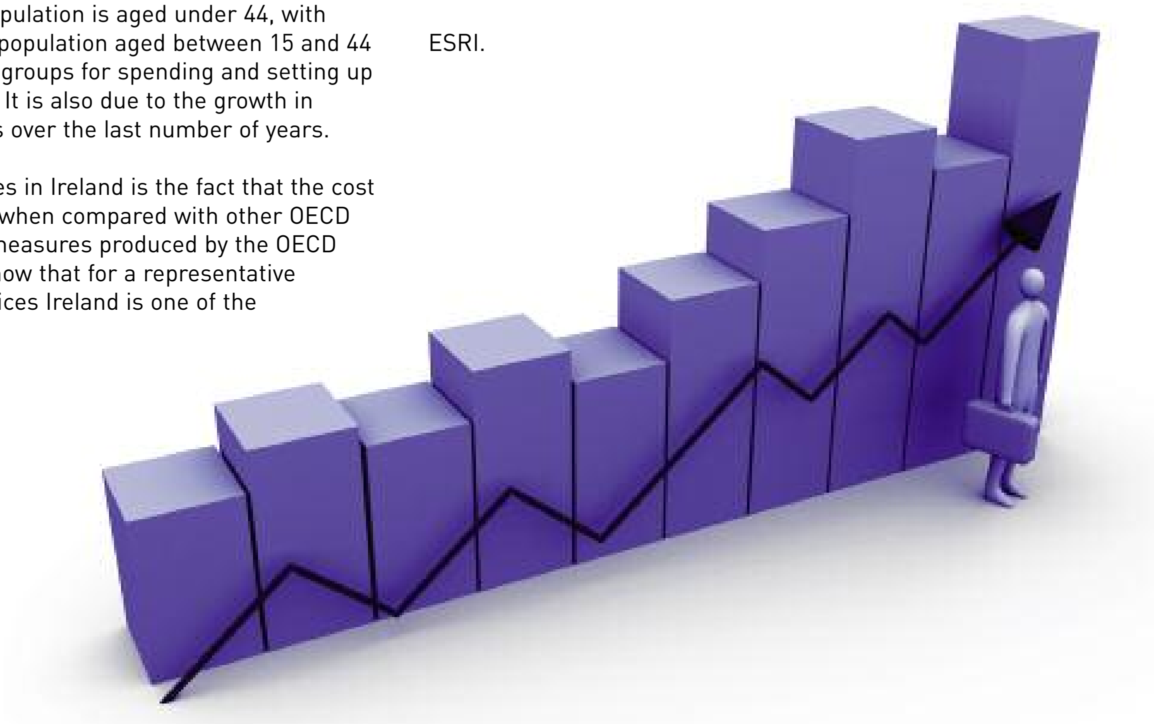

Profile of the AIB €30 million Seed Capital Fund

In July 2007 the Minister for Enterprise, Trade & Employment, Micheál Martin TD announced to the market the creation of a new Seed Capital Fund.

The Fund is a joint venture between Enterprise Ireland (the State Agency responsible for fostering Irish businesses) and AIB Bank. Under the arrangement both parties have put up €15 million each.

The Fund is targeted at innovative companies in the early stages of development. The Head of the Curve Report and the Small Business Forum Report both identify the need to provide seed capital to companies involved in knowledge intensive activities. This Fund is aimed at helping such companies.

Two existing professional Fund operators have been appointed by AIB and Enterprise Ireland to administer the Fund. They are Enterprise Equity and the Dublin Business Innovation Centre who between them have 5 offices nationwide which will ensure that all qualifying companies across the country get the opportunity to showcase their proposition to a professional Fund manager.

The Fund will typically invest €250,000 but smaller investments of €100,000 will be considered. The Fund has already made its first investment and has a very strong pipeline of enquiries having received over 100 expressions of interest from the public.

The Fund expects to make between 15 and 20 investments over the next 12 months and hopes to have over 60 investments over the next 4 years.

The Fund is now open for business and readers with an interest should visit **www.aibseedcapitalfund.ie**

New Schemes for Farmers

The Department of Agriculture and Food has recently announced an Early Retirement Scheme and a Young Farmers Installation Scheme, aimed at improving the longevity of the industry.

A new Early Retirement Scheme for farmers wishing to retire aged between 55 and 66 has been devised.

A maximum pension of €15,000 will be paid to them annually for up to 10 years. Pension payments will be based on land area and will benefit small farmers more than previous schemes have. Farmers engaged in intensive enterprises will also be eligible for the Scheme. Eligible transferees are as follows:

- young farmers qualifying under the new Young Farmers Installation Scheme, where they will not have to increase the retired farmers holding.
- transferees aged up to 45, who will be required to have at least 5 hectares of enlargement land and meet the requirements of the Scheme.
- transferees between the ages of 45 and 50 who qualified as transferees under one of the previous two Schemes of Early Retirement, who will also be required to have at least 5 hectares of enlargement land and meet the requirements of the Scheme.

A grant of €15,000 will be available to young farmers under the new Scheme where the farming activity has been set up on or after 01 January 2007. The higher level of grant will also be made available to farmers who set-up in farming between 1 May 2006 and 31 December 2006 under the previous Installation Aid Scheme, provided the applicant complies with the requirements of that Scheme and

- confirms in writing that he/she is applying for the higher rate of grant (€15,000)
- submits a fully completed Business Plan in the format provided for under the Young Farmers' Installation Scheme; and
- provides evidence of compliance with two of the development options chosen by the applicant within two years of the date of set-up.

Global Investment

The lending practices of US financial institutions in the local "sub-prime mortgage" lending market and the resulting "credit crunch" in the global financial system have resulted in increased volatility in markets globally. Most world stock markets and property prices have been damaged by these events. Sentiment and confidence have been rocked and the valuations of many equity and property portfolios have fallen considerably as a result.

However, economics is a dismal science and every cloud has a silver lining. The sub-prime mortgage debacle and the resulting credit crunch in global financial markets "cloud" may well have the silver lining effect of accelerating the global interest rate cycle. Before these events took place, UK and US monetary authorities were on hold and the EU and Japan were expected to continue to increase rates. Since these events, the US has cut interest rates by 0.50%, the UK is still on hold, Europe and Japan have kept rates on hold and there are even expectations of a rate cut in Europe before the end of the year.

So what does this mean for battered investors in equities and property? Certainly these markets like lower interest rates and have traditionally performed best when interest rates were falling or were low. Where should investors be considering making their next investment moves in the coming months to take advantage of the post sub-prime mortgage and global credit crunch crises?

Below are some of the asset classes and investment themes currently being explored by the world's largest and most respected investment and wealth management organisations:

1. The Environmental Markets

The alternative & renewable energy, water treatment & transportation and waste management industries are growing rapidly at present. Global economic growth remains robust, particularly in the developing world (China & India) leading to higher demand for energy, water and waste management. Climate change is now unequivocally accepted to be a reality. The innovation in

these new environmental industries and investment by the private and the public sector are supporting the development of the embryonic technologies and industries as they evolve. "Green" issues have become a part of political, social and economic life making long term strategic and opportunistic investments in these industries seem logical.

2. Soft Commodities

The universe of soft commodities includes agricultural produce like wheat, maize, corn, sugar, coffee, livestock, pork bellies and frozen orange juice. It also includes other raw materials like cotton, rubber and timber. The energy commodities (oil, gas & coal) and hard commodities (precious & industrial metals) have already experienced significant growth in recent years as a result of the rapid economic development and growth in China, Indian and the rest of the developing world. The soft commodities and food prices in particular have not yet experienced the same steep increases. This is expected to change. Soft commodities prices have traditionally tended to lag other commodity prices and market participants expect this to be the case again in the coming years. Increased demand from China and India in particular is expected to push soft commodity prices higher in the coming years as populations increase and as economic growth enhances wealth in these rapidly developing economies.

3. Asian Assets

Asia is expected to be the driving force of global economic growth in 2007 and 2008. Many Asian assets are expected to benefit from this economic outperformance. Stock markets, property markets and the currencies of developing nations in Asia are all expected to benefit from the strong economic growth and demographic profile of the region. The most economically developed country in the region, Japan appears to be finally emerging from a lengthy economic depression with asset prices finally starting to reflate. But it is the Chinese and Indian economies with their rapid economic development, expansion and modernisation that are expected to generate most investment potential with equity, property and currency markets there providing the most attractive investment opportunities.

Duggan Asset Management

British Airways

British Airways was recently fined approximately £270m in a dual action by the UK and US Competition Authorities, after admitting price fixing on fuel surcharges on its long-haul flights.

The US Department of Justice imposed a penalty of $300m (€209.8m) on the group, just hours after a €174.1m fine was levied on the airline by the OFT (Office of Fair Trading).

The OFT fine is the biggest-ever penalty it has imposed on a company for infringements of competition law and, said the OFT, demonstrates its determination to "deal vigorously" with anti-competitive behaviour.

In relation to the OFT charge the airline admitted entering into collusive agreements with Virgin Atlantic between August 2004 and January 2006 regarding the price of fuel surcharges on long haul passenger flights. On at least six occasions, both BA and Virgin Atlantic discussed and/or informed each other about proposed changes to the level of surcharges rather than setting levels independently of each other.

In the US, BA pleaded guilty to charges of conspiracy to fix the price of fuel surcharges on long haul flights and the price of air cargo shipments between March 2002 and February 2006, incurring a fine of $300 million (€209.8 million). Korean Air was also fined €209.8 million for its part in fixing the price of fares charged to customers and the price of air cargo shipments.

The fine imposed on BA has only resolved the civil element of the OFT's investigation. The OFT is also investigating whether any individuals dishonestly fixed the level of the fuel surcharges, which is a criminal offence.

Labour Court Finds in Favour of Visually Impaired Job Applicant

October 2007

A recent Labour Court decision indicates that job applicants with disabilities need to be reasonably accommodated during the selection process. A technology company was ordered to pay €12,000 compensation to a visually impaired man who failed to get a job with the company as an IT support specialist.

As part of the selection process for the job, the applicant was required to complete a written technical assessment. The applicant was unable to read from paper and was therefore unable to complete the written assessment. He was able to read from a computer and requested an electronic version of the assessment. The Equality Tribunal found that the failure by the company to comply with this request amounted to a failure to "reasonably accommodate" the applicant's disabilities during the selection process.
On appeal, the Labour Court stated that the company's actions denied the applicant "an opportunity to undertake an integral and otherwise essential part of the selection process because of this disability. This meant that the whole selection process was tainted with discrimination". In this case, there was evidence given that two technical managers on the interview panel were influenced by the job applicant's inability to work from paper.

Employers are not obliged to employ a person with a disability unless that person is fully capable of performing the duties of the position. However persons with a disability are presumed to be fully capable of discharging the duties of a post if provided with reasonable accommodation.

A reasonable accommodation will depend on the individuals situation but would mean that an employer is obliged to put in place effective and practical measures to adapt their place of business to the disability concerned, including premises and equipment, patterns of working time, distribution of tasks or the provision of training, unless such measures would impose a disproportionate burden on the employer.

Care needed with Solicitors' cheques says Law Society

Solicitors have been warned by the Law Society to watch out for attempts at fraud involving solicitors' client account cheques.

The Society said that fraudsters were making copies of cheques, forging solicitors' signatures, and then presenting the cheques for payment on the solicitors' client account.
A number of incidents have been reported in recent weeks and it has led the Society to warn solicitors to monitor the activity on their client's accounts.

Recruitment

For all employers, having the right person, in the right place, at the right time, is crucial to organisational performance. Recruitment is a critical activity, not just for the HR team but also for line managers who are increasingly involved in the selection process.

Recruitment is concerned with identifying requirements for new staff and recruiting a pool of appropriate applicants for these job positions. It involves finding, hiring and holding onto people who can satisfy the technical, educational and social needs of the organisation.

Recruitment relies on a number of sources, including internal promotions, recruitment agencies and advertisements.

The process of recruitment may be divided up as follows:
1) Job Analysis
2) Job Description
3) Person Specification
4) Attracting Candidates – internal & external
5) Managing the Application Process
6) Shortlisting candidates
7) The Interview
8) Offer of Employment

1) Job Analysis:

It is important to invest time in gathering information about the nature of the job before recruiting for a new or existing position. This means thinking about the job's purpose and how it fits into the organisation's structure. It is also important to consider the skills and personal attributes needed to perform the role effectively. This analysis can form the basis of a job description and person specification.

2) Job Description:

By carrying out a job analysis, this will form the basis of a written job description. This benefits the recruitment process by acting as an aid in selection; for example when designing assessment activities and making decisions between candidates.

3) Person Specification

A person specification or job profile states the necessary and desirable criteria for selection. Such specifications are increasingly based on a set of competencies identified as necessary for the performance of the job.
In general, specifications should include details of:
- Skills, aptitude, knowledge and experience
- Qualifications
- Personal qualities relevant to the job, such as ability to work as part of a team.

4) Attracting Candidates:

The first stage is to generate interest from candidates and there are a number of ways of doing this.

Internal Methods

It is important not to forget the internal talent pool when recruiting. Providing opportunities for development and career progression is an important factor for employee motivation and retention.

External Methods

There are many options available for generating interest from individuals outside the organisation. These include placing advertisements in newspapers, on your organisation's websites or external recruitment agencies.

External Recruitment Agencies

Many organisations make use of external providers to assist in recruitment. A range of services are available including attracting candidates, managing candidate responses, screening and short listing, or running assessment centres on your behalf.

5) Managing the Application Process

The main format in which applications are likely to be received is the Curriculum Vitae or CV. It is possible that these could be submitted either on paper or electronically, however the use of e-applications (Internet, intranet and email) is now part of mainstream recruitment practices.
All applications should be acknowledged. Prompt acknowledgment is good practice as it presents a positive image of the organisation. Increasingly, candidates are being treated as customers, and in a tight labour market the recruitment process works both ways.

6) Shortlisting Candidates

Selecting candidates involves two main processes: shortlisting and interviewing applicants to decide to whom the job will be offered.
Selection decisions should be made having used a range of tools appropriate to the time and resources available.
Care should be taken to use techniques which are relevant to the job and organisational objectives related to the role.

7) The Interview

Interviews can be one to one interviewing, telephone interviews, a panel of interviewers or a group assessment.
For the organisation, the interview is an opportunity to:
- Describe in more detail the job and the responsibilities the job holder would need to take on
- Assess candidates' ability to perform in the role
- Discuss with the candidate details such as start dates, training provisions and terms & conditions such as employee benefits
- Give a positive impression to the candidate of the company as a 'good employer' (who they'd like to work for should they be offered the position).

8) Offer of Employment

Employers should always check that applicants are eligible to work in Ireland before making an offer of employment. Offers of employment should always be made in writing.

Finally, it is important to bear in mind that the entire process involves people and their careers. A career move is one of the most important decisions a person will make in their lives. Given the fact that one person's decision affects many other people (their families and their existing employer, for example) the process should be managed carefully and sensitively.

Gemma Nessdale, BEng