



BREXIT And Your Business...

Leading island based accountancy practice PKF- FPM Accountants recently launched a Centre of Excellence dedicated to helping clients develop effective responses to the post-Brexit challenges facing their businesses and sectors.

Founder and Managing Director Feargal McCormack commented, "In the wake of the referendum, businesses across the island of Ireland now face a period of prolonged uncertainty. The key to developing an effective business response will be to carefully analyse the risks and opportunities your business faces and to target your forward planning accordingly.

"While it may take up to a decade for the full economic impact of Brexit to be felt, directors and business owners do not have the luxury of adopting a wait and see response. They have to continue to do business in the short term while planning ahead for the various scenarios that may affect their businesses in the longer term. Our Centre of Excellence will ensure that PKF-FPM clients can access the necessary expertise and resources to minimise risks and optimise the future performance and position of their businesses."

As one of the largest independent accounting firms operating across the island of Ireland, PKF-FPM has particular expertise in cross-border business matters. The firm's membership of the PKF International network provides clients with access to high quality audit, accounting, tax and business advisory expertise in more than 150 countries. Post-Brexit, these resources will be particularly valuable for PKF-FPM clients looking to expand into new international markets. For more information on PKF-FPM services and on the recently launched Centre of Excellence, visit www.pkffpm.com. The centre of excellence multi-disciplined team is led by six directors: Feargal McCormack, Paddy Harty, Michelle Hawkins, Teresa Campbell, Michael Farrell and Malachy McLernon.

IMPACT ON IRELAND / UK TRADE

The impact of Brexit on trade between Ireland and the UK cannot be underestimated and it is vital that this key relationship is maintained going forward. Ireland is the UK's fifth largest

export market and imports more from the UK than any other country which totalled in the region of £27.9 billion in 2014. The UK accounts for 30% of imports into Ireland. Cross border trade is estimated to be in the region of £65 billion annually. Quite clearly the uncertainty surrounding Brexit is likely to have a negative impact between Ireland and the UK and it is vital that the Irish and UK Governments along with the Northern Ireland Executive work hard at the negotiation table to ensure that this special relationship is maintained/protected going forward.



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WORLD ECONOMY

While Brexit is expected to create years of uncertainty in the UK, research conducted by PKF International has found that businesses elsewhere are already beginning to adapt.

A recent article, "Brexit and the Future of the World Economy" published on pkf.com observes that the UK's new freedom to sidestep EU rules on trade is likely to deliver a medium-term boost

for countries that have been rebuffed by EU trade requirements.

According to the article, "trade may increase in Commonwealth countries, particularly if deals between the UK and the rest of the world aren't fast-tracked. And the Global South is likely to look elsewhere for preferred trade partners, unless and until questions about future trade with the UK receive clear answers.

"With all eyes on the UK and Europe, the worldwide implications of Brexit may be less well-known but are no less important in shaping the investment climate of tomorrow", the article concluded.

STERLING VOLATILITY

Sterling has weakened considerably since the referendum vote on 23 June. For many businesses across the island of Ireland, this volatility has the potential to materially impact on margins. The impact may be particularly acute for Irish businesses that export to the UK.

With post-Brexit uncertainty set to continue for the foreseeable future, business owners and directors need to plan for ongoing currency volatility.

Questions to ask include:

- What is the extent of our currency exposure?
- How should we quantify the impact of this exposure on our margins?
- How do our competitors manage their currency risk?
- What measures can we implement to reduce our currency exposure?

While no one can predict future exchange rates with certainty, it is possible to take steps to manage or avoid negative surprises.

PKF-FPM can help your company to devise and implement a strategy to manage currency risks. For further information, please contact a member of our team.

BREXIT TAX IMPACT

The UK's decision to leave the EU is unlikely to have any immediate impact on tax for businesses in Northern Ireland. That said, to protect the UK's financial health, the Chancellor, may decide to include cuts in public spending or tax increases in the Autumn Statement. Should this happen, it could erode some of the pro-business measures announced earlier this year.

In the longer term, notwithstanding ongoing speculation about potential changes to duties, customs declaration requirements and VAT, it is impossible to predict the tax impact of Brexit with any certainty until the transitional rules begin to be agreed.

Any reduction in UK Corporation Tax rates may have an impact on the differential re the proposed lower Northern Ireland Corporation Tax rate and the potential to attract Foreign Direct Investment to NI in the short to medium term.

PKF-FPM tax experts, together with our colleagues in the PKF International network, will be keeping a close watch on developments.

TIMELINE

13 July 2016 - Theresa May assumes office as Prime Minister and appoints David Davis Secretary of State for Exiting the European Union.

2017 - Prime Minister May has indicated Britain will give formal notification in early 2017 of its intention to leave the European Union. When



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>> this notification is issued, under Article 50 of Lisbon Treaty it will trigger the start of Britain's exit process from the Union.

2018 - Britain's probable formal departure date from the EU is December 2018 according to a July 2016 article by David Davis, Secretary of State for Exiting the European Union, published on the Conservative Home website, www.conservativehome.com

COMMON TRAVEL AREA

Former European Parliament President Pat Cox was the guest speaker at a Newry Chamber of Commerce Post-Brexit event in June.

In an interesting address to business leaders, Mr Cox noted that the EU has "both politically and legally" formally recognised the Common Travel Area between Ireland and Northern Ireland and has accepted that "established custom and practice and the balance of convenience of Irish and British citizens were served by its continued existence".

Since the Brexit referendum the authorities in Belfast, Dublin and London, including the Prime Minister, Theresa May, and the Secretary of State for Northern Ireland have indicated their commitment to maintain the CTA to the greatest extent possible and the wish to avoid a hard border on the island of Ireland.

"If the primary parties to the CTA, the UK and Ireland, share these views, Ireland is entitled to rely on existing EU law, custom and practice as a point of departure in its dialogue with the EU institutions and the twenty six other member states. Recalibrating the political debate from speculative expressions of fear and anxiety about hard borders to anchoring it in established EU rights and practice could be a useful point of departure," Mr Cox observed.

FINANCIAL REPORTS

Directors will need to take into account the uncertainties arising from Brexit and decide what disclosures, if any, are required to ensure their financial statements and management and strategic reports meet the needs of investors and comply with regulatory requirements.

Among the matters to be considered are:

- the nature and extent of risks and uncertainties arising from the result of the referendum and the impact on the future performance and position of the business;
- potential gains or losses arising from transactions in foreign currencies, for example,

the impact on future earnings as a consequence of the decline in the value of sterling for non-UK sales;

- disclosure of events after the reporting period that have not been adjusted in the financial statements;
- whether the going concern basis of accounting is appropriate and whether disclosures of material uncertainties are needed particularly where there is a material risk of breach of covenants; and
- whether any additional disclosures are necessary to ensure that the financial statements give a true and fair view.

Companies in the Republic of Ireland should note that IAASA published an information note on 12 July 2016 suggesting factors to be considered by issuers when preparing half-yearly financial reports for the six months ended 30 June 2016. The information note is available on www.iaasa.ie

PKF-FPM will be assisting clients to comply with these requirements. For further information, please contact a member of our team.

EMPLOYING EU NATIONALS

Northern Ireland employs a large proportion of EU nationals. While the Government has indicated that there will be no immediate change in the status of EU nationals in the UK, employees are understandably anxious about how Brexit will impact on their future.

There are steps that employers can take to reassure affected employees such as assisting with registration certificates, citizenship applications and applications for leave to remain in the UK indefinitely.

Businesses who are concerned about their EU employees can obtain further information and advice from PKF-FPM's Brexit Centre of Excellence.

DATA PROTECTION

The General Data Protection Regulation (GDPR) which comes into force in May 2018 aims to strengthen data protection for individuals within the European Union. The Regulation also addresses the export of personal data outside the EU.

UK firms that want to trade and exchange information with the EU will have to adhere to the GDPR or something comparable.

Nevertheless businesses whose data is stored in the UK may need to make contingency plans in the event that the UK data protection regulations differ from the EU's.

BREXIT DANGERS

In responding to the challenges posed by Brexit, business and policy makers must be careful to avoid being too narrow in their focus.

In the Republic of Ireland, over-emphasis on the inward investment opportunities afforded by UK's exit may be damaging for indigenous businesses.

Northern Ireland has enjoyed a substantial amount of EU funding which has made a significant contribution to the peace process. This funding not only assisted with dealing somewhat with the legacy of the conflict but has also funded infrastructure, business and civic projects - all of which has stabilised the economy and it's potential for growth. Although current programmes are likely to be completed the availability of new funding is in doubt - again adding to the uncertainty. Thus for Northern Ireland, too much emphasis on replacing EU funds with central UK funding may be similarly damaging.

What we need across the island of Ireland is greater support for private enterprise. Ultimately, a strong, sustainable economy provides the best opportunity for all our citizens.

GETTING TO GRIPS WITH YOUR BREXIT PLAN

We will only begin to truly understand the longer-term implications of Brexit when Article 50 is triggered.

Pending greater clarity about the UK's exit process, businesses across the island of Ireland will continue to face uncertainty over the next couple of years.

While no one can predict what the future may hold, there are steps that you can take to position your business for success:

- Review your financing structures and manage your exposure to exchange rate volatility;
- Review your operational effectiveness and costs;
- Review the impact of low bank interest rates and whether fixed deals should be considered;
- Review your communication plans focusing in particular on financial reporting disclosures and communication to shareholders and staff;
- Look for opportunities in your relationships and contracts with customers, suppliers and third party service providers;
- Diversify and innovate;
- Investigate new markets; and
- Review your people assets and potential future talent requirements.

Preparation and confidence will be important factors in securing your business's future success. Now is the time to begin your planning.

The PKF-FPM Brexit Centre of Excellence can provide tailored advice to suit your company's specific circumstances. For further information, please contact a member of our team on +44 (0)28 3026 1010.

