

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

Agenda

0840	Introducing RSM	Terry McAdam
	Robust project selection	Terry McAdam
0910	Financial project appraisal	Julian Caplin
0940	Selecting the right project	Derek Young
1015	Coffee	
1030	Group case study exercise	Terry McAdam
1130	Tax planning opportunities re R&D	Julian Caplin
1145	CFO forum	Tom Early
1230	Lunch	

SPEAKERS

Performance improvement expertise –
technology strategy and deployment
allied to process automation

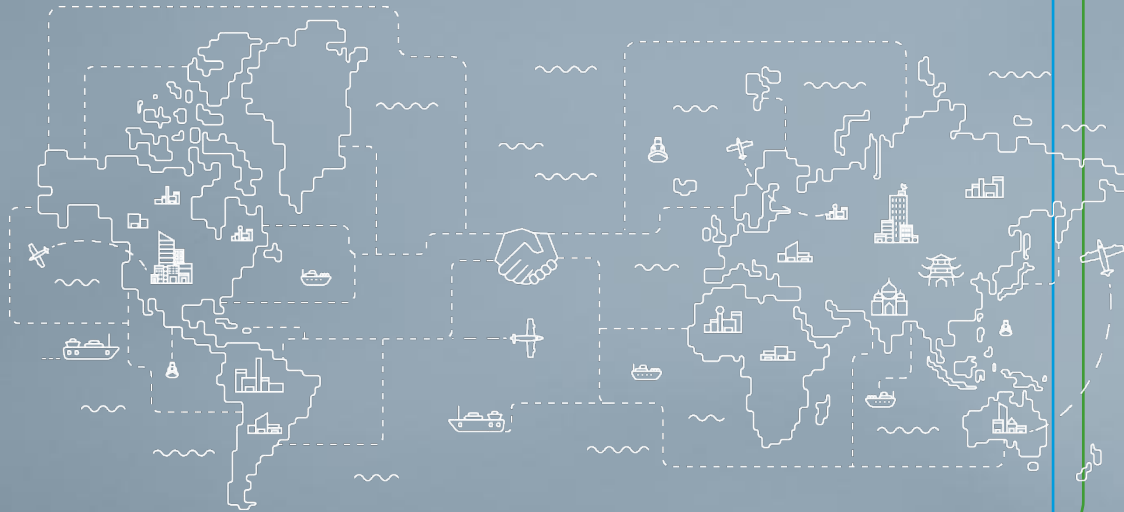
Terry McAdam Partner

Highly accomplished and respected
financial expert.

Julian Caplin Partner

Serial inventor and entrepreneur

Derek Young CEO of i360medical



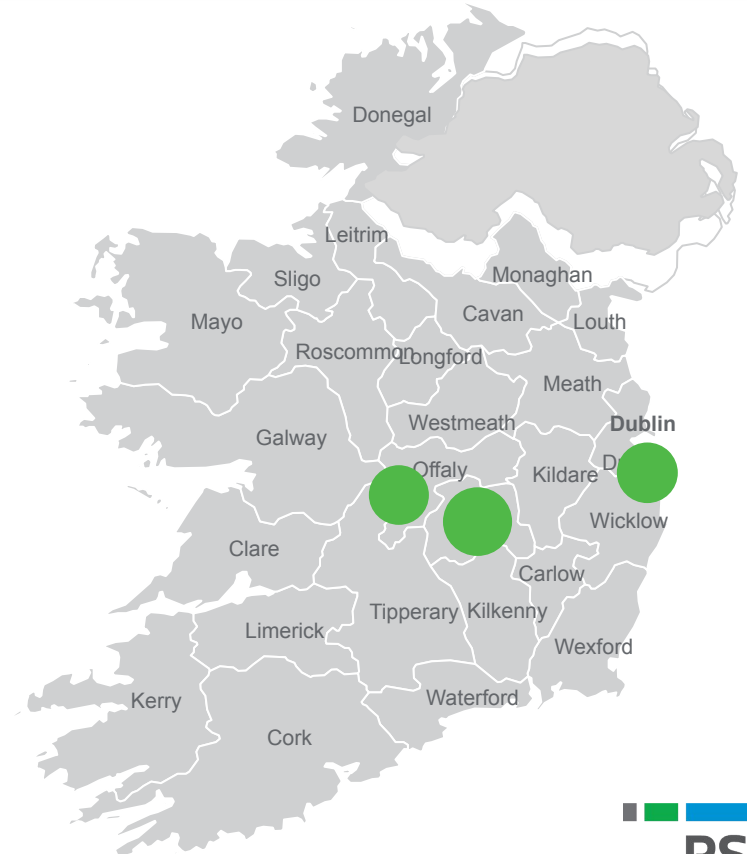
37,500 MINDS, 730 OFFICES, 110 COUNTRIES, 1 NETWORK.



RSM IRELAND

About us

- Formerly Baker Tilly Ryan Glennon
- An Irish Top 10 firm of accountants and business advisors (no. 8)
- Specialist in the mid-market
- **Mid-market** client base – Domestic & International
- 13 Partners
- Specialist & sector led
- One of the **fastest growing** Irish mid-tier firms - 130 staff
- Offices in **Dublin, Birr and Portlaoise**



Services



RSM IRELAND

- Terry leads a team of experienced performance improvement consultants
- Deliver operational improvement which yields tangible results
- Investment in technology and process automation/enhancement
- Over twenty years experience
- Guided organisations, of varying scale, through the successful design and execution of complex projects or work programmes
- Delivering projects nationally and internationally on an ongoing basis

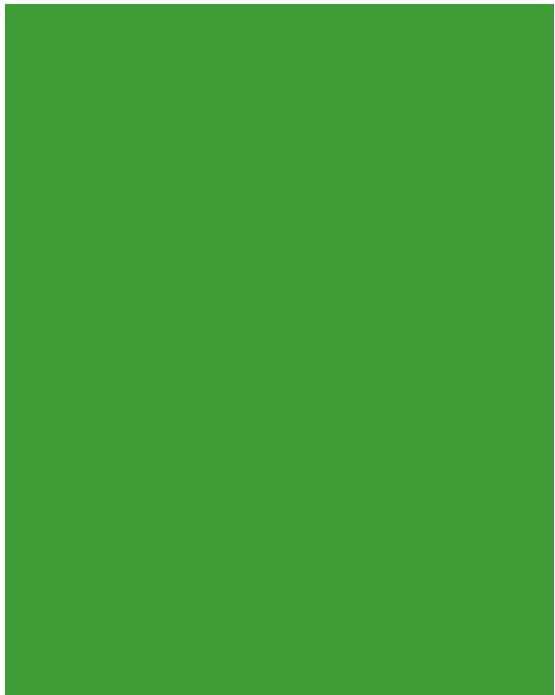
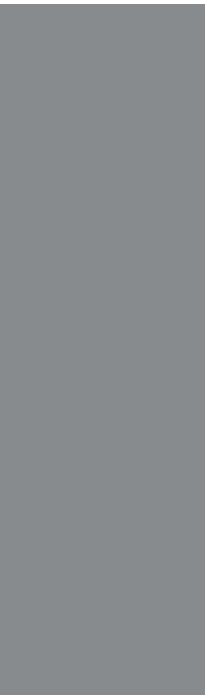


Terry McAdam

Management Consulting Partner



EVERY RSM FIRM,
WHEREVER THEY
ARE IN THE WORLD,
SHARES THE SAME
HIGH STANDARD
OF QUALITY



SELECTING YOUR PROJECT

Terry McAdam

SELECTING YOUR PROJECT

Contents

- Rationalisation of existing projects/initiatives
- The business case
- Resourcing the project
- Project governance
- Continuous improvement

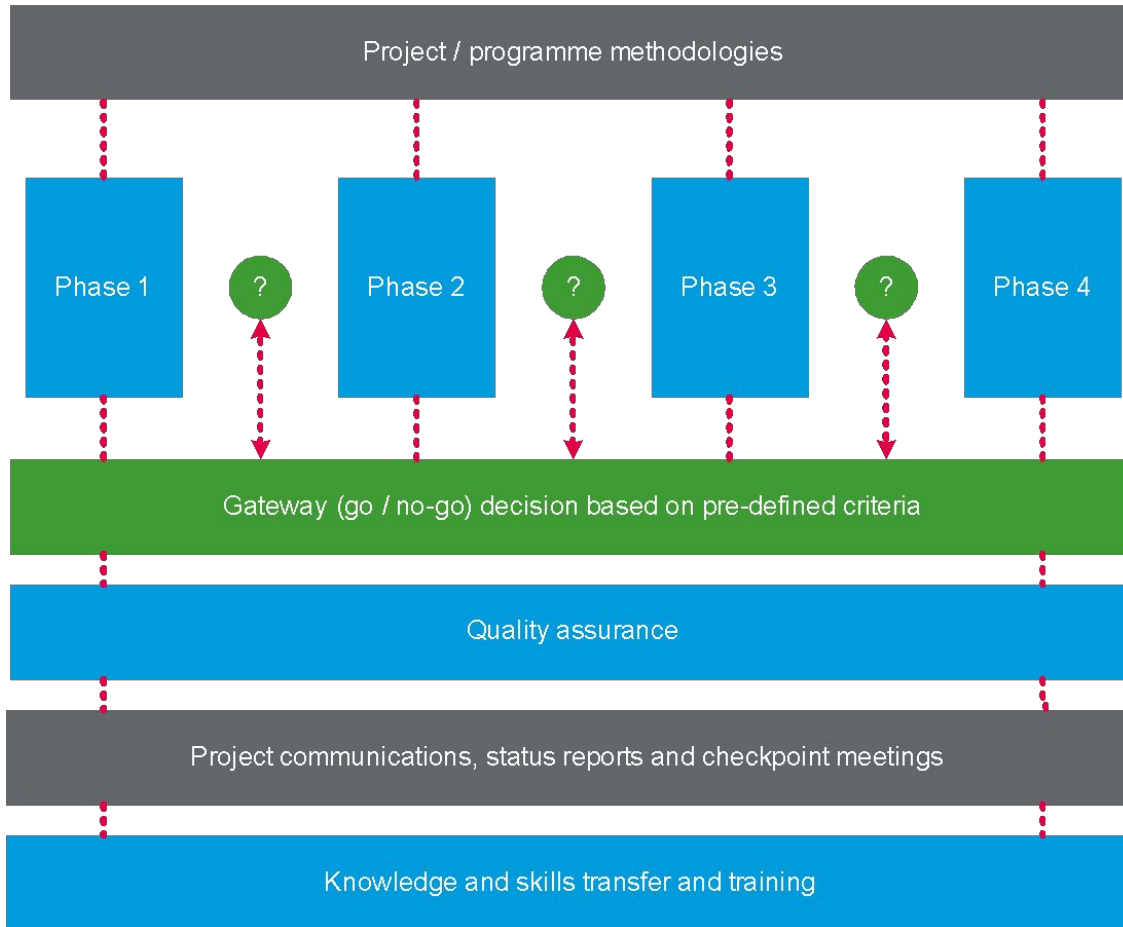


RATIONALISATION OF EXISTING PROJECTS/INITIATIVES

SELECTING YOUR PROJECT (cont.)

Rationalisation of existing projects/initiatives

- Prior to launching a new project, prudent to review existing project portfolio and its performance.
- Project gateway approach ensures investments and projects are consistently reviewed to verify they are delivering expected outcomes
- Ensure planned/on-going projects and investments remain aligned with the strategic goals of the business
- Introduces decision points across life of a project where business can “get off the project bus”
- Consistently non-performing projects are continuously monitored and brought to a controlled end early in their life



SELECTING YOUR PROJECT (cont.)

Stage Gate Review - Process Overview

- It is an independent confirmation by the Stage Gate Review Team to the governance body that all required project reviews have been successfully conducted
- The team ensures that the project manager has produced all the required deliverables and addressed all exit criteria for a given phase to permit the project's advancement to the subsequent phase

SELECTING YOUR PROJECT (cont.)

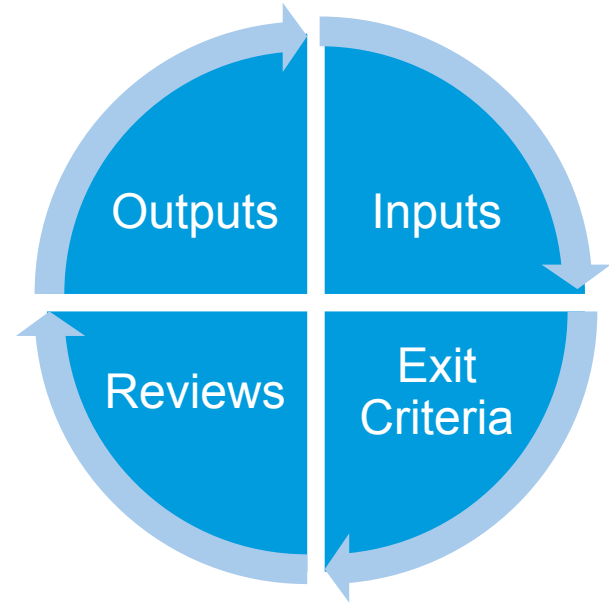
Stage Gate Review - Process Overview

- The emphasis of the Stage Gate Review is on the:
 - successful accomplishment of phase objectives
 - plans for the next life cycle phase and
 - risks associated with moving into the next life cycle phase.
- Recommended actions arising from the review are issued to the governance body.

SELECTING YOUR PROJECT (cont.)

Building Blocks

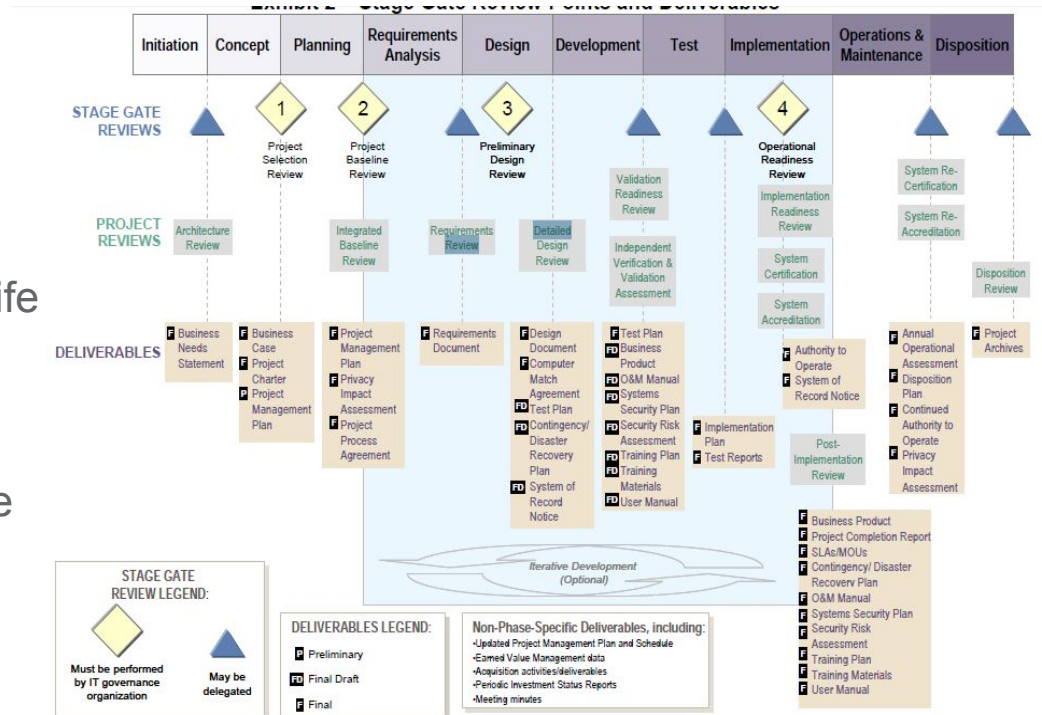
Outputs from the review include a decision (i.e. approved, conditionally approved, or not approved) and a clear path forward



SELECTING YOUR PROJECT (cont.)

Decision Points

Phase-driven **go/no-go decision points** are identified across the life of the project where activity is reviewed to provide assurance that appropriate organisational and strategic objectives continue to be observed and achieved.



SELECTING YOUR PROJECT (cont.)

Best Practice – Review Process

- Clearly defined roles and responsibilities:
 - define roles and responsibilities so that all project participants are clear with regard to expectations and the overall process
- Stage Gate Review preparation:
 - Prior to attending a Stage Gate Review meeting, all in attendance must have reviewed all pertinent documentation and have a good understanding of the project and its performance, the organisational context in which it is operating and the exit criteria for the relevant stage gate

SELECTING YOUR PROJECT (cont.)

Best Practice - Review Process

- Clear and concise decision comes from the governance body or delegated authority:
 - Stage Gate Review outputs must be clearly documented and communicated;
 - Outputs include a decision (i.e. approved, conditionally approved, or not approved) and a clear path forward; and,
 - A plan of action and milestones for corrective action, if required, should be defined along with a clear understanding of the oversight process that will be applied to support the implementation of the additional controls sought



THE BUSINESS CASE

SELECTING YOUR PROJECT (cont.)

The Business Case

Why do the project? What is the payback period?

Version 1.1
Date: 21st May 2013

IT Investment

Cost Benefit Analysis

Model 1.0
Baker Tilly Ryan Glenann (adjusted quotation)
Loaded internal labour costs (+100%)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Expenditure								
External	25,000	25,000	36,000	0	0	0	0	
IT hardware	36,000	36,000	72,000	84,000	84,000	84,000	84,000	
Mobile devices	10,000	42,000	107,000	0	0	0	0	
Communication charges	107,000	0	0	0	0	0	0	
Microsoft AX licences								
Scheduling software licences								
Payroll software licences								
Implementation services								
Project expenses								
Training services								
AX Maintenance								
Scheduling Software support								
Payroll Software support								
On-going implementer consultancy								
Project management								
Consultancy								
VAT re the above expenditure								
Scottish Enterprise grant								
Total	1,043,800	789,600	243,000	0	0	0	0	2,074,600
External investment (three years)								
Annual cost of ownership								
Internal	278,173	552,905	177,203	0	0	0	0	
Systems hosting	10,000	10,200	10,404	10,612	10,824	11,041	11,265	
Internal resources	2,000	2,040	2,081	2,122	2,165	2,208	2,251	
VAT re the systems hosting expenditure	0	140,000	141,400	142,814	144,242	145,685	147,141	
Procurement Manager hire	20,000	80,000	80,800	81,608	82,424	83,248	84,079	
Internal IT hires (DBA & support)	310,173	785,145	411,888	237,156	239,655	242,182	244,711	
Total	1,353,973	1,574,745	653,088	448,728	451,227	453,754	456,282	770,260
Grand Total								3,581,805
Total investment (three years)								
Annual total cost of ownership								
Summary								
Total investment (inc internal)								3,581,805
Annual Savings								2,314,169
Annual Cost of Ownership								770,260
Annual Pay Back								1,543,909
Pay Back Period								2.32 years

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Benefits - Existing Business								
Labour efficiencies								
Scheduling								
Issue Resolution								
Time Recording		118,113	472,451	477,176				
					481,947	486,767	491,635	2,528,089
					99,454	100,449	101,453	521,695
					773,929	781,669	789,485	4,059,700
Total					1,355,331	1,368,885	1,382,574	7,109,484
					40,000	40,000	40,000	210,000
					100,000	100,000	100,000	600,000
					157,500	157,500	157,500	876,750
					230,000	230,000	230,000	1,207,500
Total					527,500	527,500	527,500	2,844,325
Total								9,953,859
Benefits - Self Direct Support								
Planning								
Administration								
Billing								
		68,738	274,950	366,600	458,250	733,200	916,500	2,818,238
		68,738	274,950	366,600	458,250	733,200	916,500	2,818,238
		14,850	59,400	79,200	99,000	158,400	198,000	608,850
Total		152,325	609,300	812,400	1,015,500	1,624,800	2,031,000	6,245,325
Grand Total								
4 year Benefits								
Annual total cost of ownership								
		691,357	2,465,426	2,681,812	2,898,331	3,521,185	3,941,074	16,199,184
Total								2,314,169

SELECTING YOUR PROJECT (cont.)

The Business Case (cont.)

- Requires business to consider proposed project in some depth. Aids buy-in of key management and people
- Assumptions re potential impact of project are critical
- Consider financial and non-financial benefits (risk mitigation, better communication, enhanced quality)
- Beware of drive for false precision within projects causing paralysis/delay



RESOURCING THE PROJECT

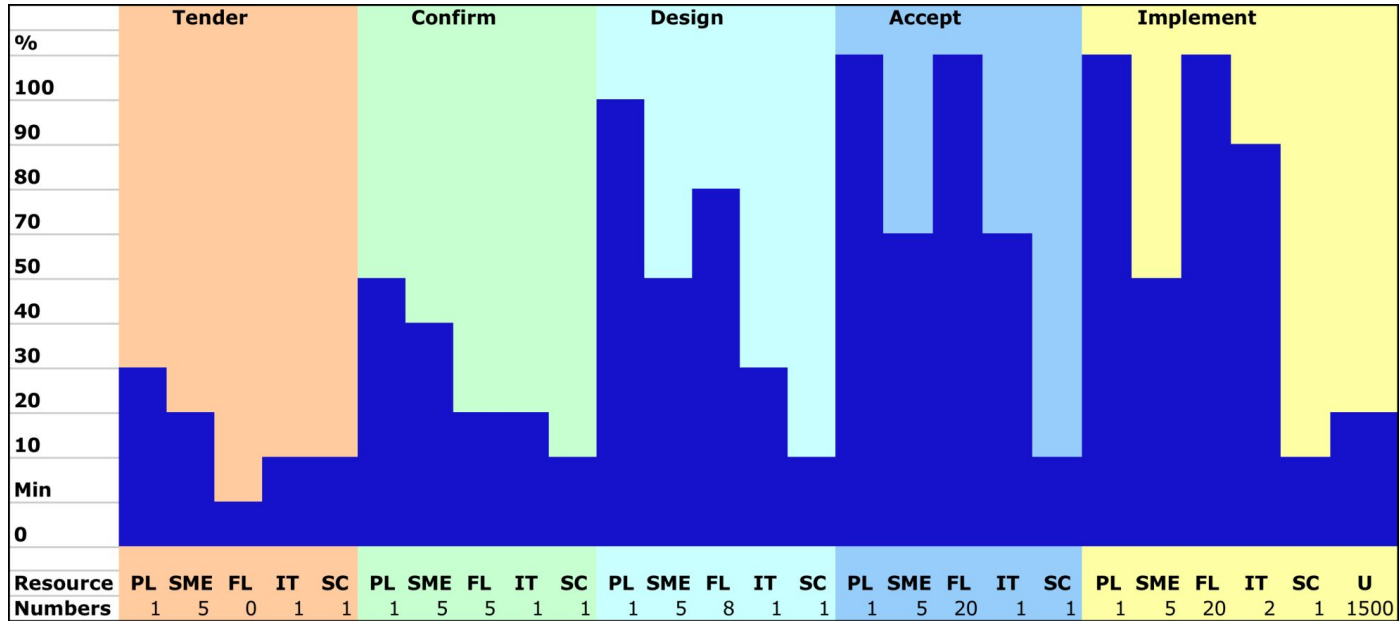
SELECTING YOUR PROJECT (cont.)

Resourcing the project

- If project worth doing then must allocate your best people
- Consider all your options to ensure 'Business as Usual' not impacted
- Temporary external resources can be allocated to some project roles but proceed with care
- Monitor and anticipate project resourcing issues continuously. Ad hoc resourcing decisions can prove expensive.

SELECTING YOUR PROJECT (cont.)

Resourcing the project (cont.)





PROJECT GOVERNANCE

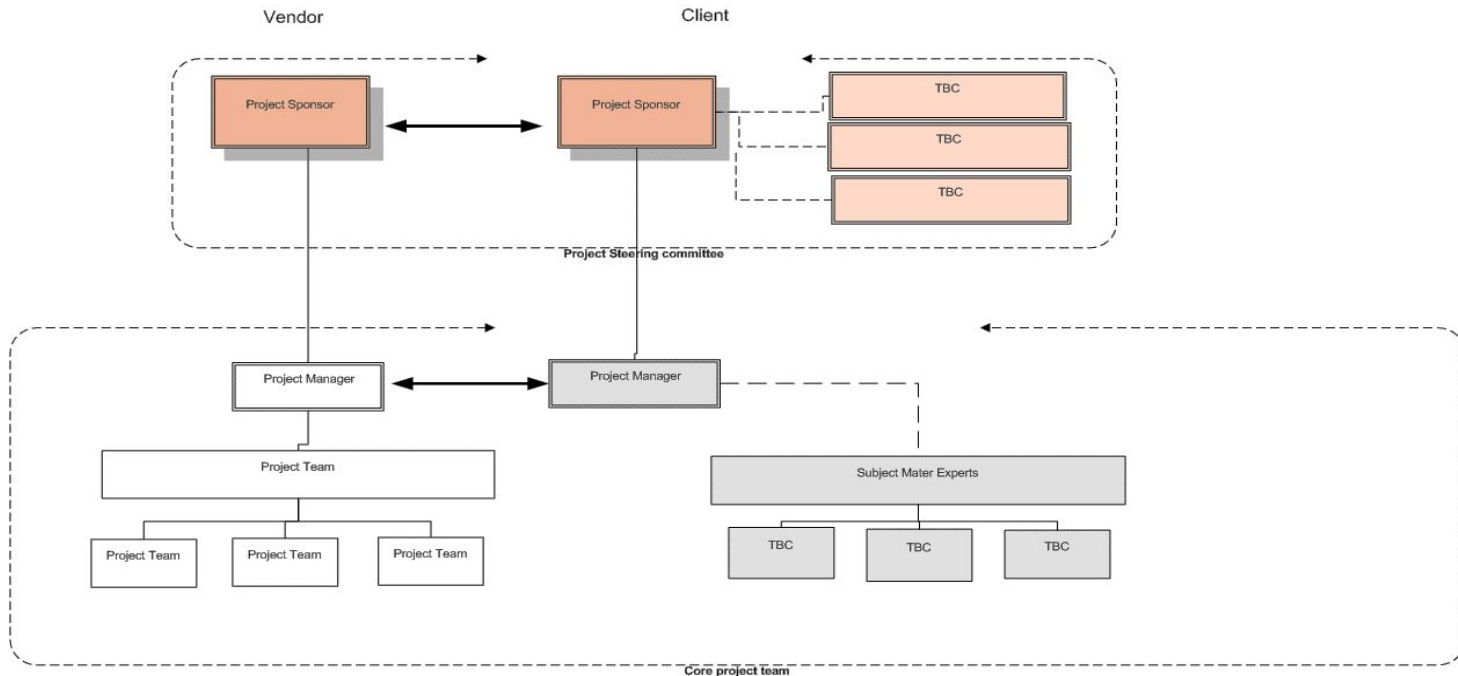
SELECTING YOUR PROJECT (cont.)

Project governance

- Project sponsor
- Project steering group
- Project manager
- Project team (including subject matter experts)
- Checkpoint/Steering group meetings
- Checkpoint/final reporting
- Escalation procedures/reporting lines
- Stage gate reviews

SELECTING YOUR PROJECT (cont.)

Define project scope, key roles, responsibilities and reporting structures in a Project Initiation Document (PID)



SELECTING YOUR PROJECT (cont.)

Project governance (cont.)

- Seek to embed a culture, across the business, that allows project managers to declare issues early
- Forward looking reporting details the expected activity (and risks) over the upcoming period
- Provides a summary of the latest expected outturn – financial and operational
- Report formats are defined and not negotiable, once agreed
- Project reporting sources are consistent with the finance function reporting
- One page narrative accompanies every project financial report template



CONTINUOUS IMPROVEMENT

CONTINUOUS IMPROVEMENT

- Identifying and agreeing processes which provide the basis for continuous improvement
- developing a set of relevant key performance indicators will drive the required behaviours over the longer term
- continuous improvement is an on-going internal, and often multi-disciplinary, effort seeking incremental performance improvement over time
- sustained focus on waste eradication and quality



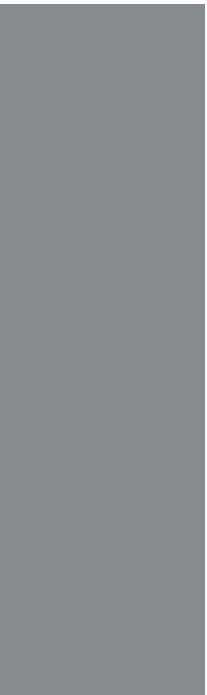
FINAL THOUGHTS

FINAL THOUGHTS

- We are all constantly undertaking projects.
- Need to create environment which gives project best chance
- Projects are resource hungry. Internal costs are often significant
- Identifying key processes and datasets is the best starting point to de-risk projects
- Underperforming projects are identified early and brought to an organised end

FINAL THOUGHTS

- The approach to delivering projects in a business should be standardised and repeatable
- Consider a Project Management Office (PMO) model if need to manage multiple projects centrally
- Progress at the pace which is right for the business. Controlled, organised and profitable change is the goal



FINANCING YOUR PROJECT

Julian Caplin

RSM IRELAND

- Leading financial advisor, providing corporate finance, business, commercial and financial advice to a wide range of businesses.
- Financial advisory services – MNA, funding structures, strategic financial advise and financial diligence.
- Former Director of The Pensions Board (Irish Pension Regulator) and has been involved in arbitration strategies at state level.



Julian Caplin
Consulting Partner

PROJECT APPRAISAL

Overview

- Project's viability
- Financial appraisal
- Use of financial assumptions
- Multiple issues outside financial appraisal
- Consider all aspects in project appraisal



IDEATION STAGE

IDEATION STAGE

Sourcing ideas...

- Personal experience
- Career development
- Universities
- Innovation hubs



EARLY STAGE RESOURCES

EARLY STAGE RESOURCES

- Reliance on friends and family
- Angel investors
- Support from industry, i.e. research foundations, universities, etc.
- Government incentives, e.g. EI, IDA, etc.
- Venture funds from larger corporates



PROJECT APPRAISAL

PROJECT APPRAISAL

Early Stage

- Less sophisticated methods
- Emotion led
- Projections highly speculative
- Point of return on investment less defined
- Investor fatigue

PROJECT APPRAISAL (cont.)

LATE STAGE

- Projections more sophisticated and reduced speculation
- Key ratios:
 - Debt ratio
 - Liquidity ratio
 - Profitability
 - Cash flow
- Formal valuation methods, including
 - Discounted cash flow
 - Net present value (NPV)
 - Internal rate of return (IRR)
 - Payback period
 - Scenario analysis

PROJECT APPRAISAL (cont.)

INVESTOR CONSIDERATIONS

- Economic environment.
- Risk levels associated with R&D
- Prototype
- Proven track record - Pre-sales / feasibility studies
- Tax Incentives



FUNDING R&D PROJECTS

FUNDING R&D PROJECTS

Funding Agencies

- Often government department or agencies
- Criteria based, often employment driven, innovation, environment, etc.
- Start-up company criteria may differ – particular funds
- Examples include, Enterprise Ireland, the Department of Jobs, Enterprise & Innovation
- Benefits include expertise, not seeking pre-determined return on investment, access to information and expertise particularly if doing business abroad
- Can be restrictive in terms of criteria, predicated on other events e.g. level of equity from other investors, employment prospects, etc.

FUNDING R&D PROJECTS (cont.)

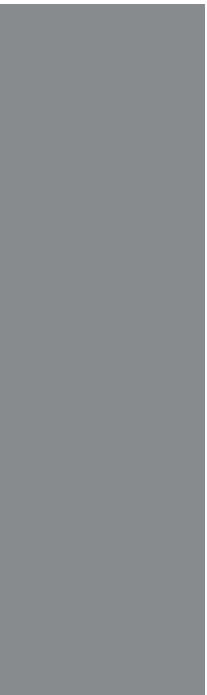
Venture Capital and Private Equity

- Private funding and government led initiatives
- Criteria based and can include, sector, location, deal size, stage of development
- Willing to lend where banks will not, rates relevant to risk
- Examples include, Kernal Capital, BlueBay Asset Management, ESB Novusmodus
- Benefits include external knowledge, exhausted more conventional financing, sectoral expertise can open new markets and opportunities and potential access to further funding
- Can be expensive, early definition of exit strategy, perceived interference in company

FUNDING R&D PROJECTS (cont.)

Private Investors

- Looking at investment opportunities
- Can bring expertise to company through board representation
- Often willing to grow with the company
- Benefits from not being a corporate which can bring flexibility, varying degrees of involvement depending on agreements and potential access to further funding
- Can lead to issues of money versus invention, involvement in the business can seep, lack of corporate type access to markets / knowledge



DEREK YOUNG

RSM IRELAND

Derek is an inventor and entrepreneur with a background in Mechanical Engineering, Surgical Innovation and Business Development from the Austin Waldron and Dublin Institute of Technology.

Specialties

- Development of Business Strategy for small to medium companies.
- Raising investment through Venture capitalist and Government Grants for start-ups and Projects.
- Acquisitions for existing company.
- Excellent interactive and interpersonal skills both in terms of staff motivation and teamwork involvement, customer communication and service. Liaising successfully with internal/external Surgeons, customers, consultancies, and contractors thus facilitating teamwork and partnerships.



Derek Young

CEO, i360medical



i360medical

A Healthcare Innovation Company

2015

“To generate and commercialise new world-class medical technology solutions, in pursuit of enhanced patient care”

Please Contact Derek Young

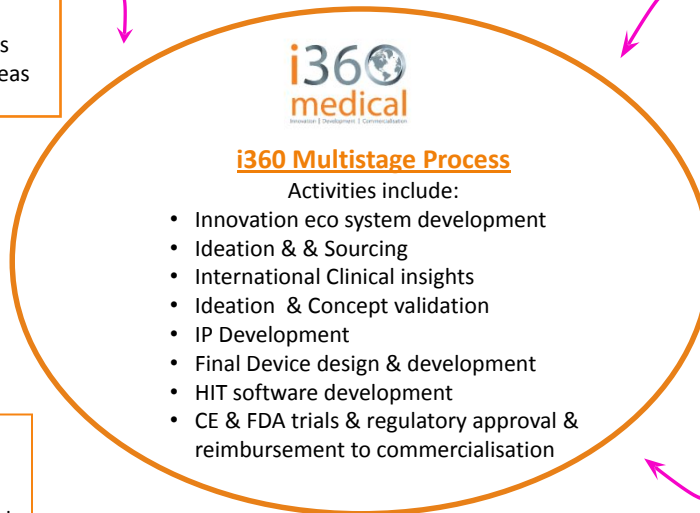
Tel:+353 (0)86 8281551 IRL Dublin Office

Tel: +1 516 491 5163 USA New York Office

Email: derekyoung@i360medical.com

i360medical In-House Healthcare Ideation

- Clinician Inventor ideas
- Healthcare Professional ideas
- Academic Inventor ideas
- Engineering Inventor ideas



Healthcare System Partners for Ideation & Qualification to Start-Up



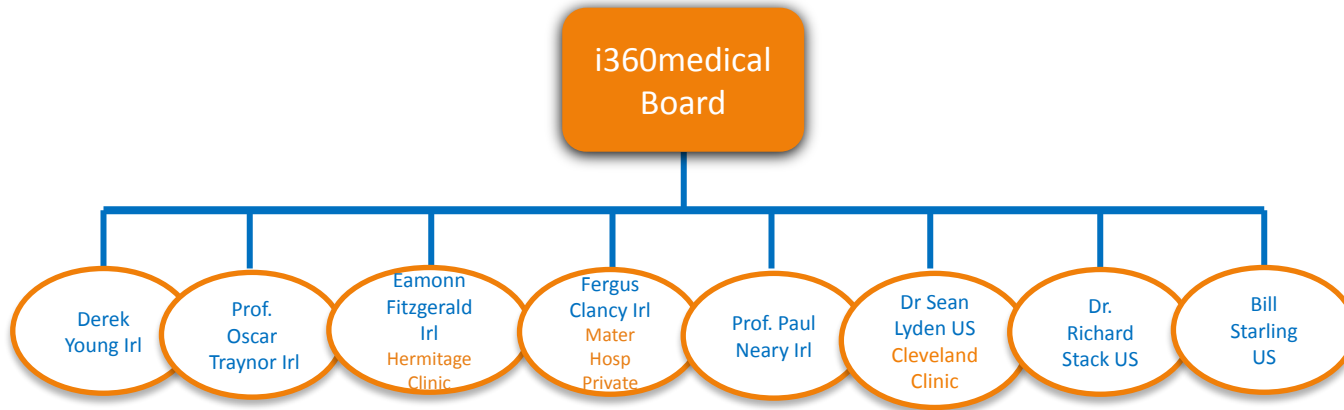
Industry Partners

i360medical maintain relations at 'C Suite' level with 11 acquisitive Healthcare MNCs interested in sourcing novel licensing, product and start-up acquisition opportunities.

Investment Partners

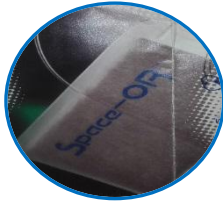
\$/€ Externally Managed aligned Commercial fund. Comprising Private & Institutional Investors.

IP, License, Acquisition Opportunities, Novel Products, SPV/Start-Ups



A Sample of i360medicals Success and Track Record .

Some Examples of Clinical Experience and inventions include HALs, NOTES, Laparoscopic , Neuro, SILS, bariatric surgery, urology, orthopedics, cardiology, interventional radiology, kidney, gastrointestinal endoscopy, surgical education and training.



Space-OR
Exit: Johnson & Johnson



Endopath Dextrus
Exit: Ethicon Endo Surgery



Omniport
Exit: Covidien



MediTract
Exit: Davol CR Bard



ProMIS
Exit: CA Health Care

Medical device exits with key International Healthcare Multinationals



GelPort
Exit: Applied Medical



Triport
Exit: Olympus

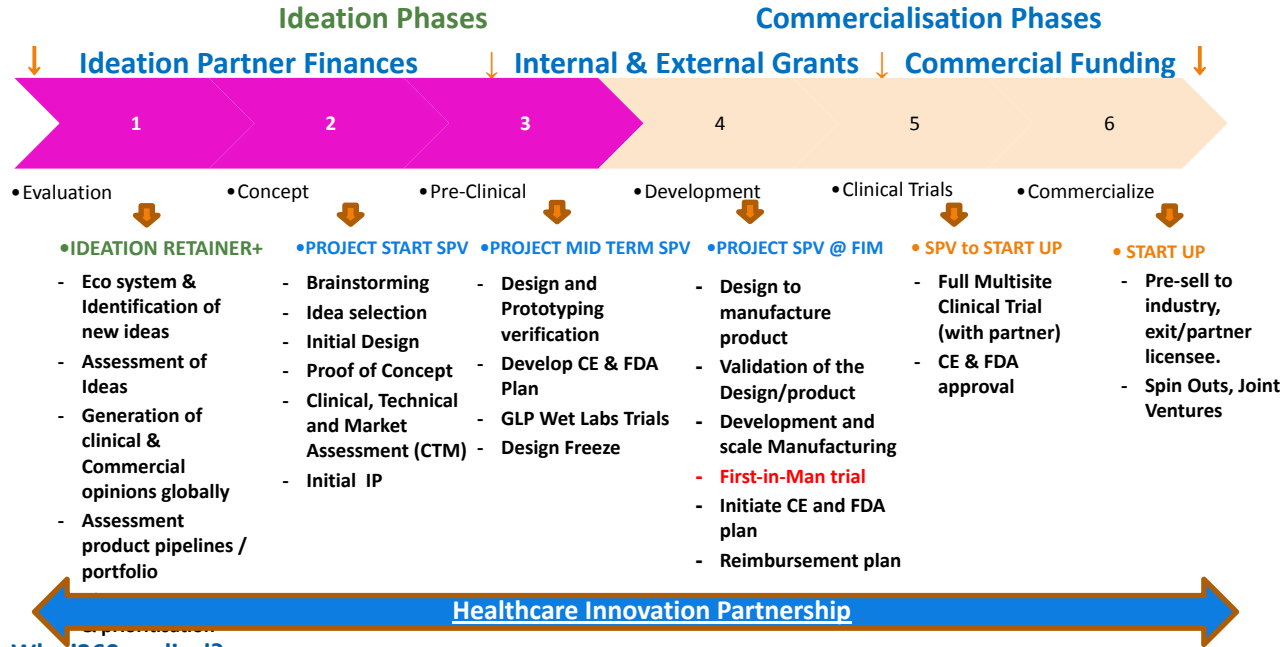


Retractable stent
Exit: Boston Scientific



Intromit
Exit: TFX Medical

Formalised Medical Device 'Idea to Commercialization Process



Why i360medical?

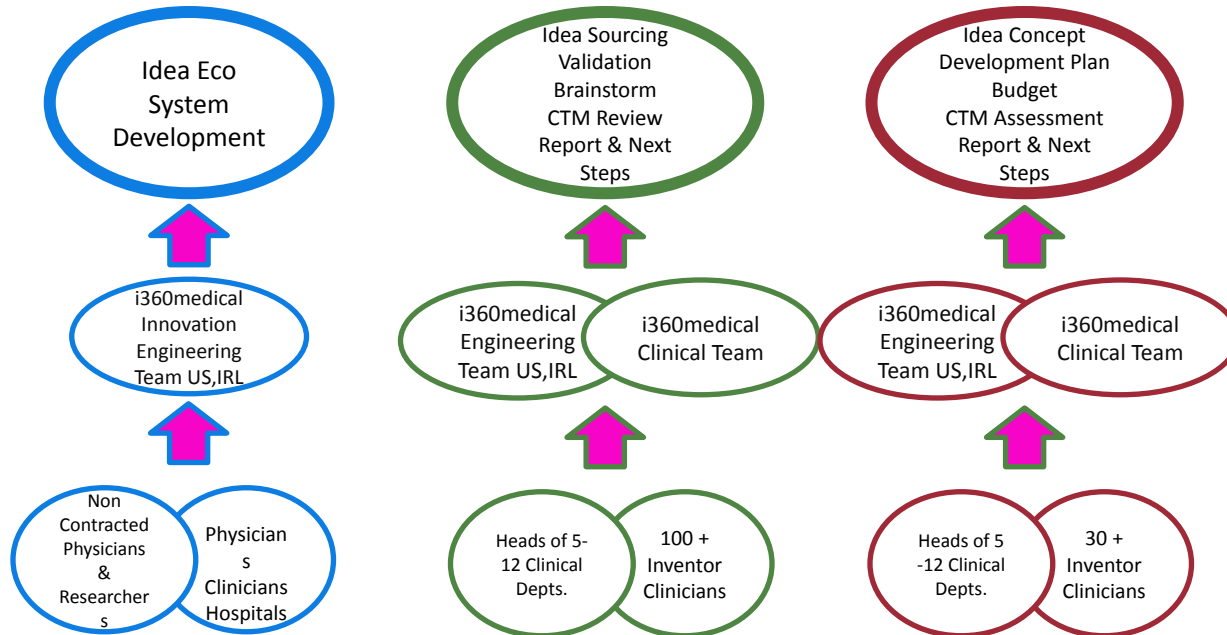
- Our practical experience & expertise and track record. Our global clinical & industry network. We form a 'bridge for new ideas'.

Benefits of our approach

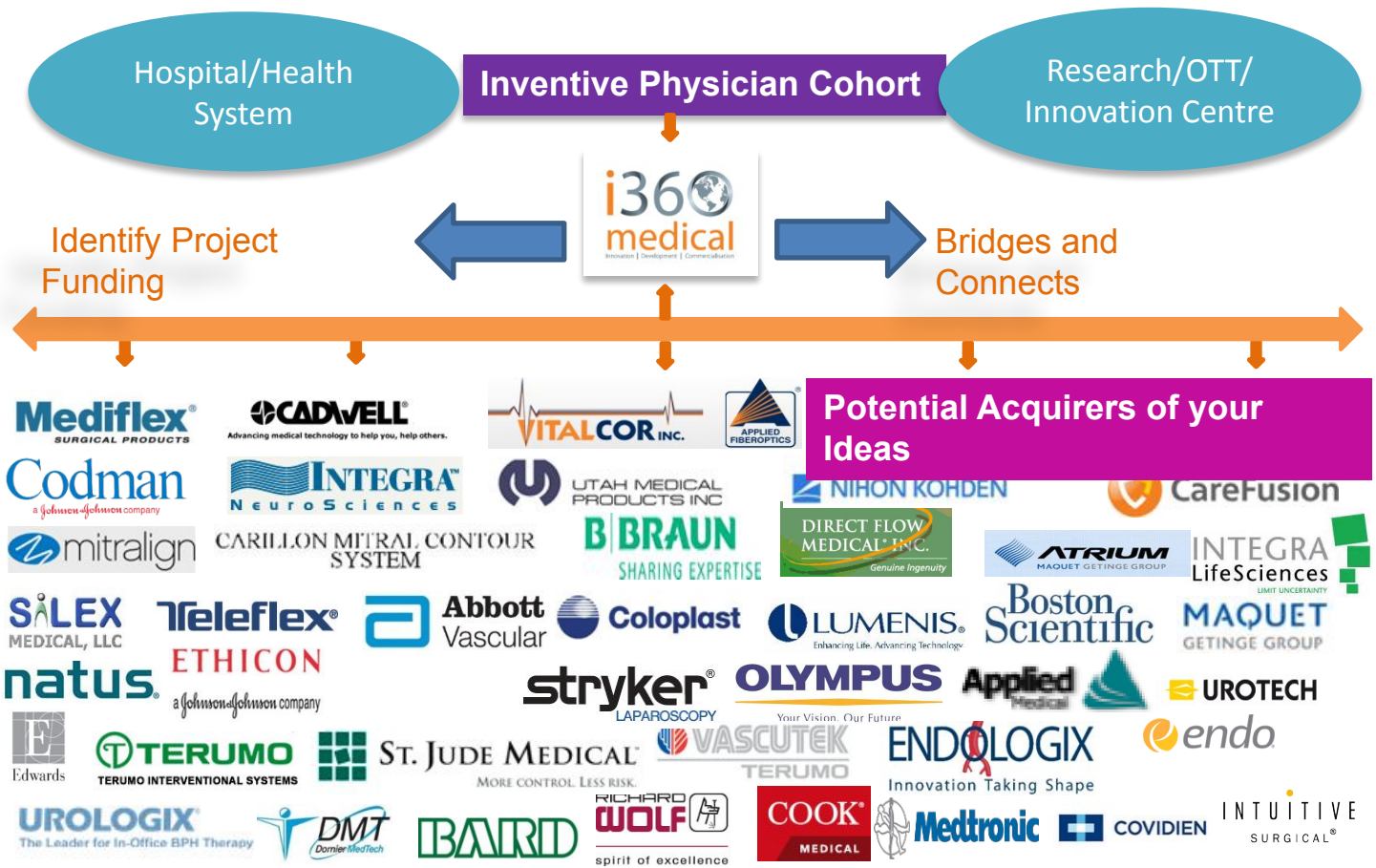
- Accelerates validated ideas & concepts. "Fail quickly" where appropriate.
- Independent & Global, objective & detailed analysis. Detailed & practical development roadmaps.
- An innovation ecosystem to optimise ROI. A 'turn key' for accelerated device commercialization.

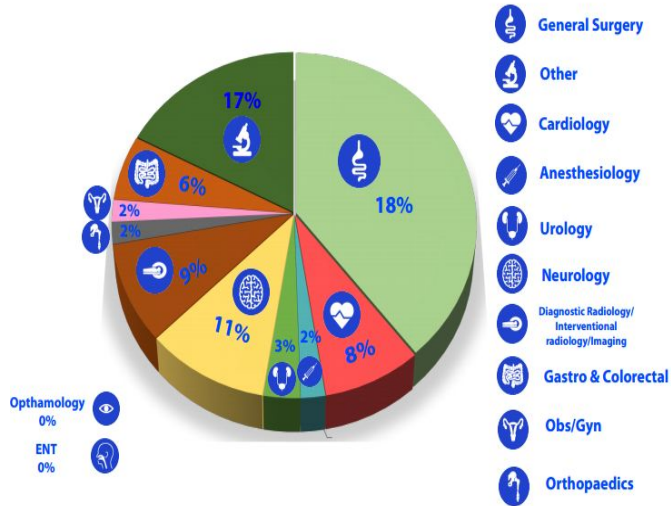
i360medical Innovation Retainer Model for a Hospital/Health System example

↓ **Financed by i360medical 3 Yr. Retainer** ↓ **Ideation Partner Finances Internally & Externally Funds** ↓



A Bridge between Clinical and Commercial World



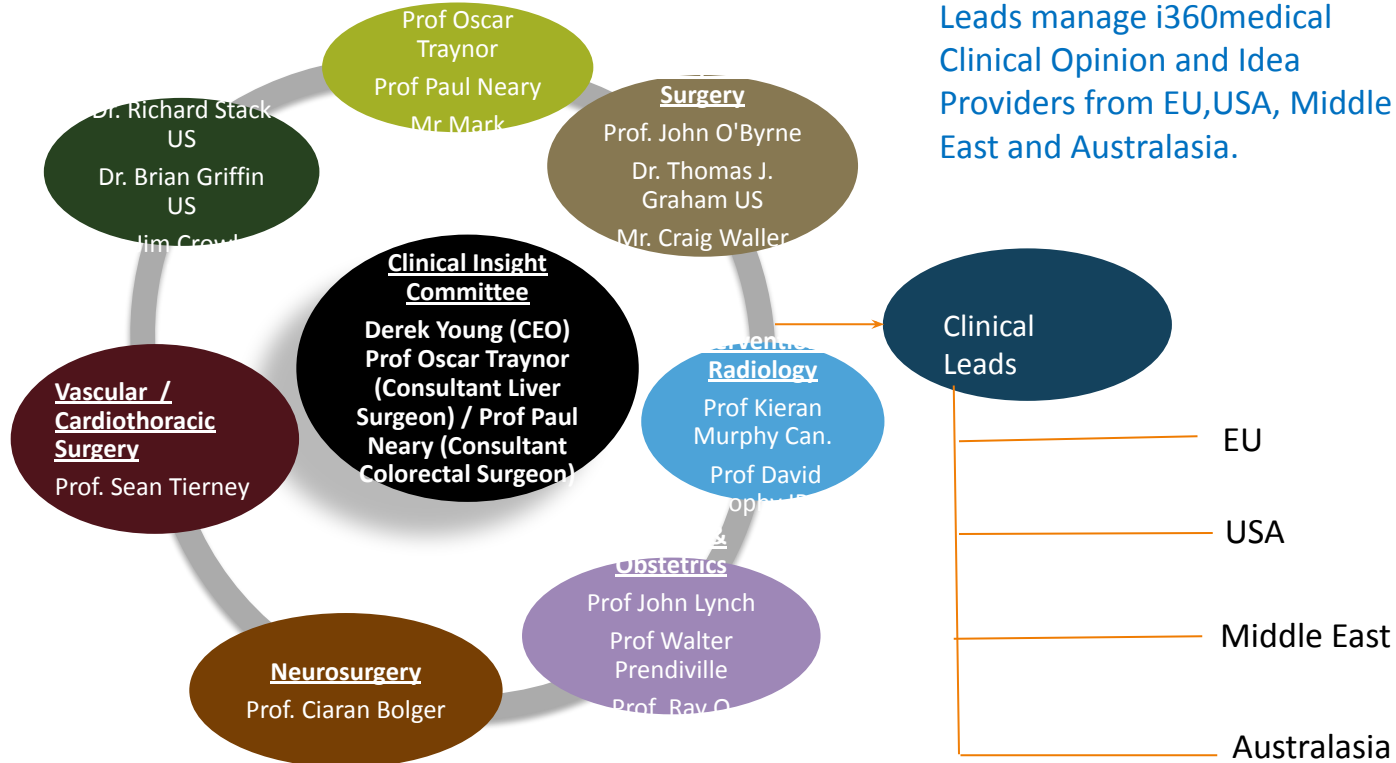


Innovations % by Speciality

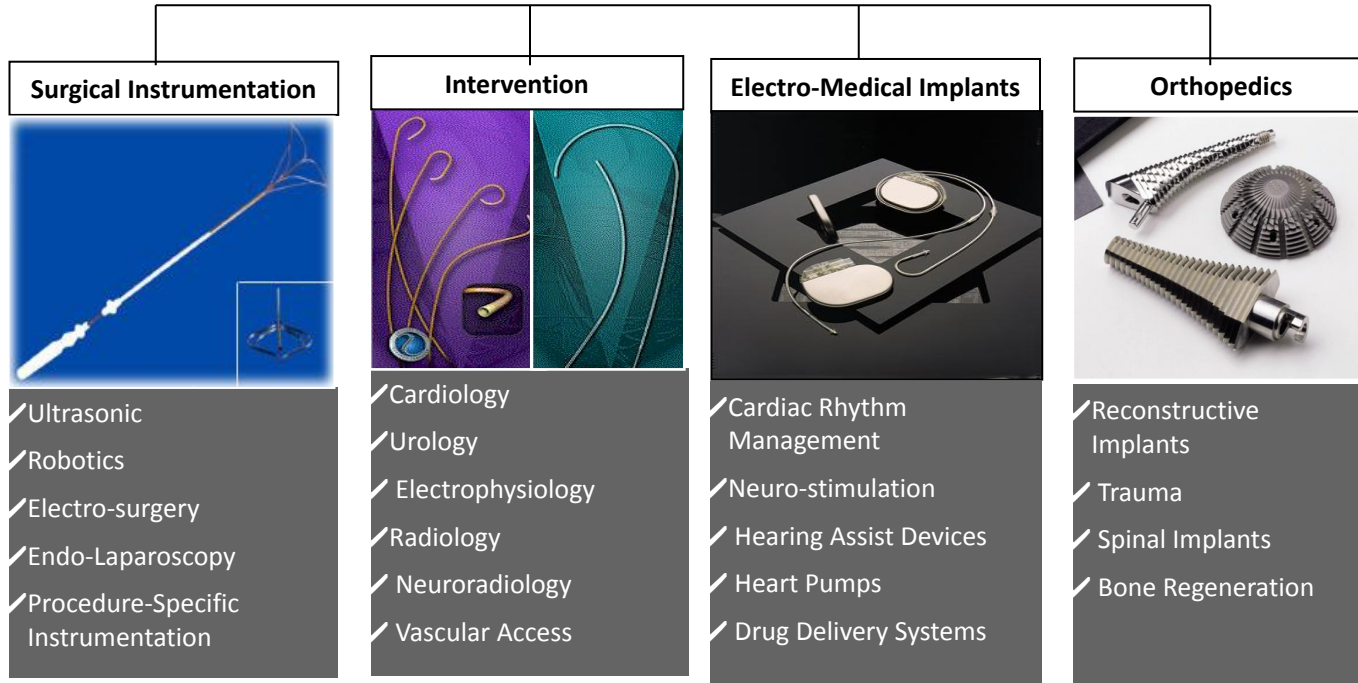
Since inception of the program, this Outreach Innovation program has with in 18 months

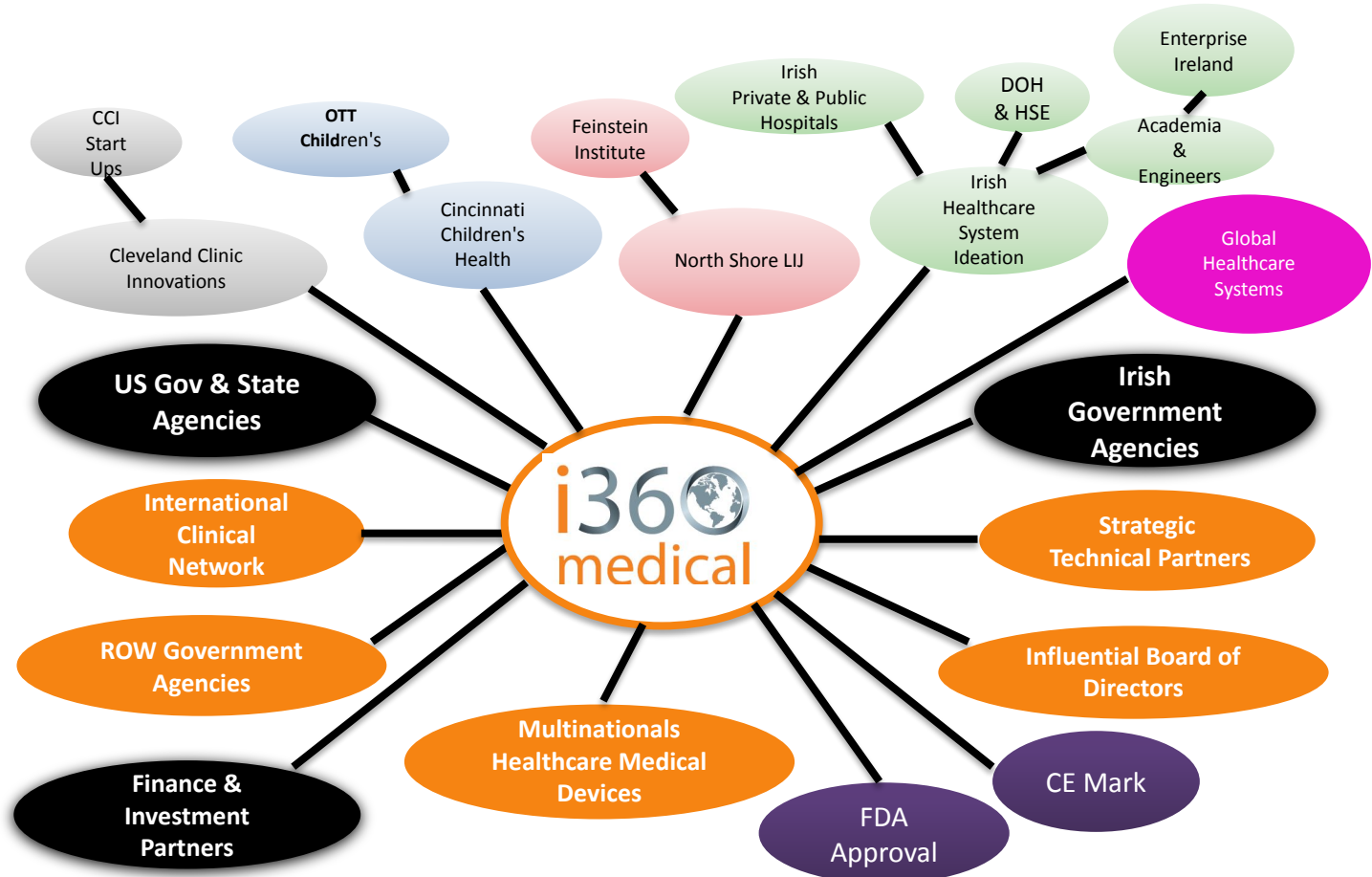
- Established internal ecosystem for:
 - Disclosing circa 150 ideas and innovations
 - Engineering support for ideation
 - Evaluating value proposition
 - Underwriting intellectual property
 - Funding translational activities
- Three projects prioritized in 2015
 - Cardiology, General Surgery & Urology
 - Secured pre-seed project funding for advancing:
 - Prototypes and validation
 - Provisional patent filings
 - Development for Commercial Seed funding

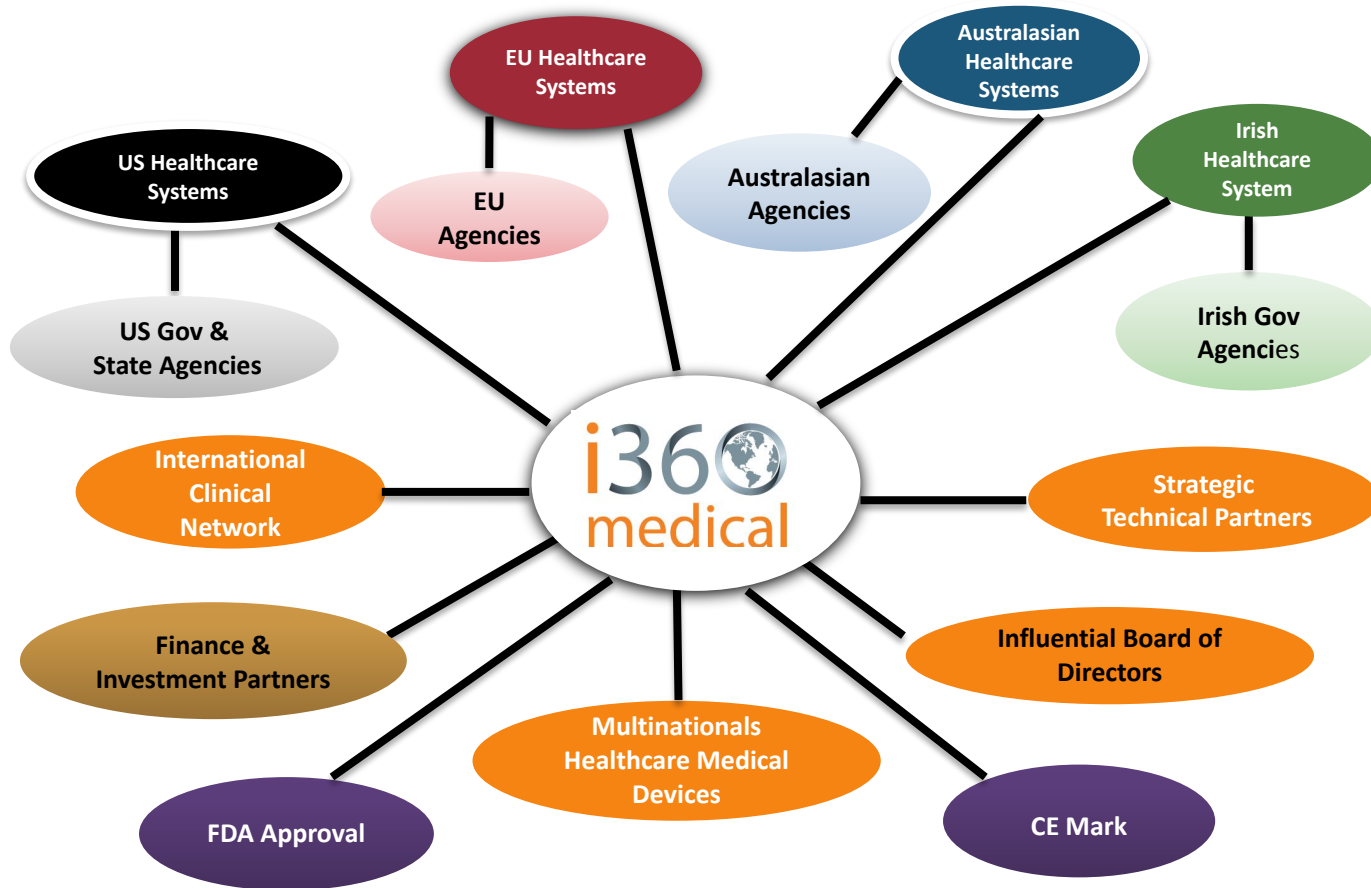
Our Clinical Leads and Opinion Providers



- Each Clinical speciality, Clinical Leads manage i360medical Clinical Opinion and Idea Providers from EU, USA, Middle East and Australasia.







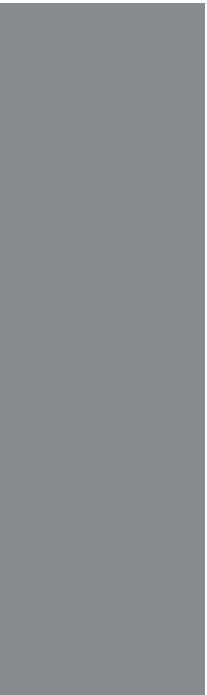
Thanks

Please Contact Derek Young

Tel:+353 (0)86 8281551 IRL

Tel: +1 516 491 5163 USA

Email: derekyoung@i360medical.com



GROUP CASE STUDY EXERCISE



PLANNING OPPORTUNITIES - INNOVATION INCENTIVES

Planning Opportunities – Innovation Incentives

- Research and Development Tax Credit
- Knowledge Development Box
- IP Capital Allowances
- Typical Structuring

R&D Tax Credit Overview

- €25 credit / cash refund for every €100 spent
- Utilisation
 - Offset against corporation tax liability in the year in which the claim is made
 - Carry back and offset against corporation tax in prior year
 - Cash refund issued in 3 instalments over following 3 years
- Refund Mechanism Limitations
 - Limited to CT paid during 10 previous accounting periods, or
 - Payroll taxes for period of claim and payroll taxes for preceding year (in certain circumstances)
- Refund Mechanism Instalments
 - Year 1 – 33% of R&D tax credit during the period
 - Year 2 – 50% of remaining R&D credit carried forward
 - Year 3 – Remaining 50% of R&D credit carried forward

R&D Tax Credit Overview

- Qualifying Criteria
 - Systematic, investigative or experimental activities
 - Within an approved field of science or technology
 - Being basic research / applied research / experimental development
 - Involve the resolution of scientific or technological uncertainty
 - Seek to achieve scientific or technological advancement
- Eligible Expenditure
 - Salary
 - Plant and machinery
 - Raw materials consumed as part of the R&D process
 - Subcontracted R&D
 - Power consumed as part of the R&D process
 - R&D Buildings
- Revenue's Interpretation of Qualifying Expenditure
 - Allowable Indirect Costs 2011 Guidelines v Allowable Indirect Costs 2015 Guidelines
- Appointment of Expert in Revenue Audit Situation



KNOWLEDGE DEVELOPMENT BOX

KDB Overview

- 6.25% tax rate on qualifying profits
 - Entitled to allowance equal to 50% of qualifying profits
 - Allowance treated as trading expense of the trade
- Modified Nexus Approach
 - The relief is linked to the proportion of R&D carried on by the Irish company as a percentage of Group R&D
- Irish entity must earn income from the exploitation of IP
 - Income generated from the IP must be recognised in the same entity that undertakes the R&D
- Applies to accounting period commencing on or after 1 January 2016
- Filing a claim
 - Irrevocable election into the KDB is made in the CT1 in the year the asset brought within the KDB
 - Company has 24 months from end of accounting period for electing for KDB treatment to apply to a qualifying asset
 - Inventions coming off patent can continue to avail of KDB as election is irrevocable

KDB Overview

- Main categories of IP covered by KDB are:
 - Qualifying Patent / Supplementary protection certificated for medicinal products / Plant protection certificated / Plant breeder's rights / Copyrighted Software
- IP for SME's
 - IP which is “patentable but not yet patented”
 - Certified as “novel, non-obvious and useful”
 - Irish Patent Office to make the certification
- Documentary Evidence



IP CAPITAL ALLOWANCES

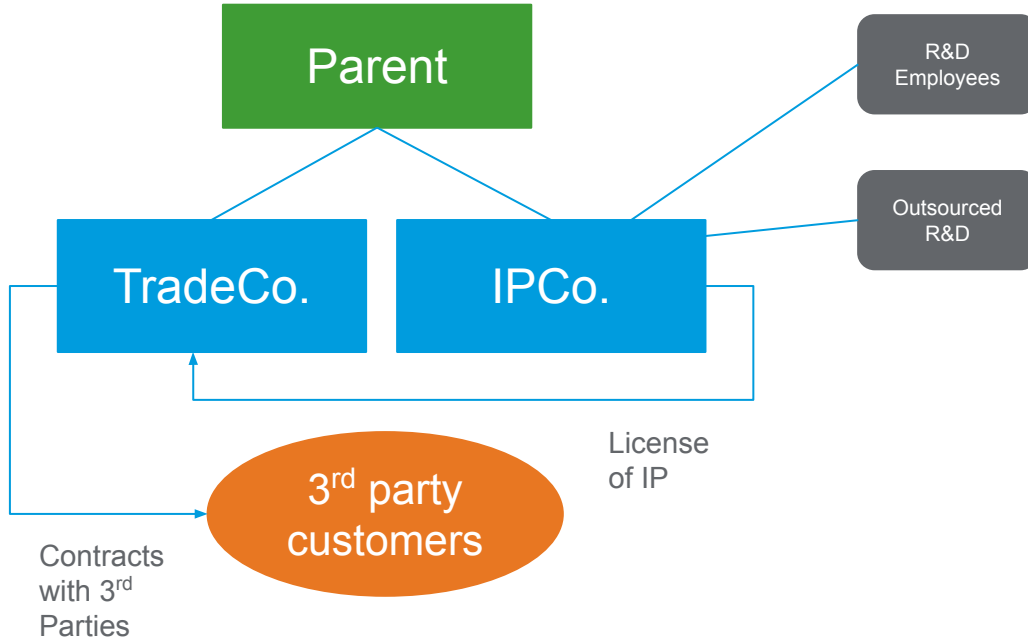
IP Capital Allowances Overview

- C.A.'s for costs incurred in acquiring “specified intangible assets” – 3rd party or related party
- Qualifying asserts include patents, registered designs, trademarks and names, brand names, domain names, copyrights, know-how, licenses etc. and any goodwill directly attributable to these assets
- Acquired from a related party - amount qualifying for relief cannot exceed the market value of the asset
- The relief is claimed under one of the following methods:
 1. 7% straight line for 14 years followed by 2% straight line in the 15th year
 2. Depreciation/amortisation/impairment charge in the Statement of Comprehensive Income
- Restriction on the amounts of allowance that can be offset
 - The capital allowances can only be offset against income from “relevant activities”
- Unutilised capital allowances are carried forward for future offset against relevant trade income



TYPICAL STRUCTURING

Split of TradeCo. and IPCo.



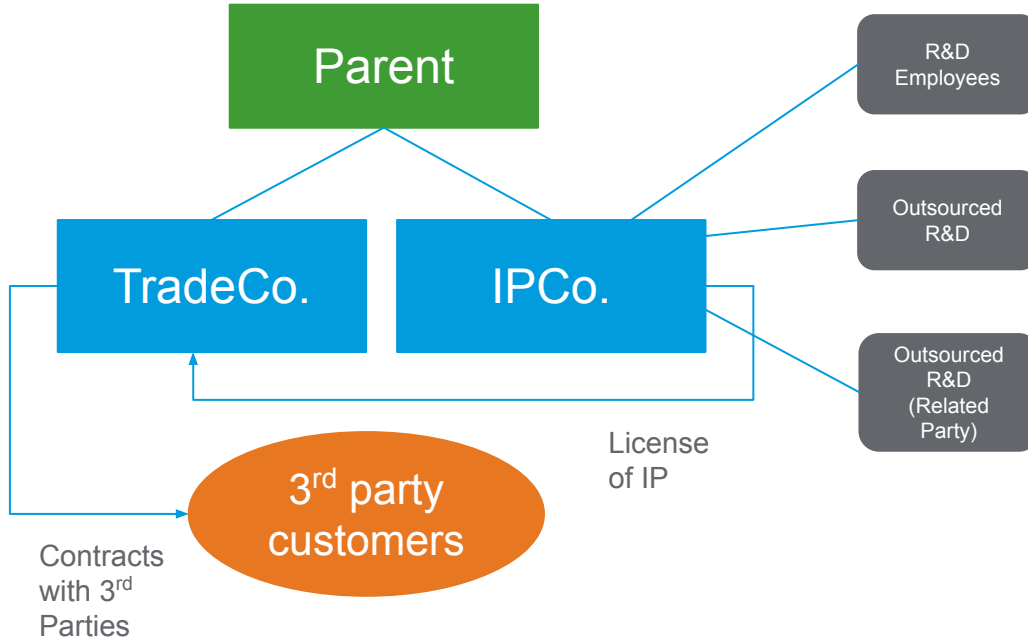
Scenario

- The IPCo. owns the rights to the intellectual property.
- R&D Employees and Outsourced R&D in IPCo.
- The IPCo. licenses the use of the IP rights to the TradeCo. in return for an arm's length fee.
- The TradeCo. contracts directly with third party customers.

Irish Tax Outcome

- IPCo. trading profits generally should be taxed at a rate of 6.25% (KDB) / 12.5% provided sufficient skilled workers and management of IP in IPCo.
- IP is held in separate company from trading company should there be:
 - IP Sale only
 - Trade Sale only
- Protects value of IP should there be litigation against TradeCo.
- Potential S626B exemption on sale of IPCo if parent in Ireland.
- If parent is resident outside of Ireland, any gain on a sale of IPCo is outside the scope of Irish taxation

Split of TradeCo. and IPCo - Variation



Irish Tax Outcome

- Potential to significantly reduce the cost of conducting R&D by outsourcing to related party in low cost jurisdiction
- However, IPCo cannot avail of R&D tax credit on such outsourced expenditure
- IreCo will be entitled to a tax deduction for cost of remunerating related party for undertaking R&D
- Arm's length rate must be agreed with related party
- Compare costs of carrying out R&D in Ireland and availing of R&D Tax Credit v outsourcing R&D to related party and not availing of relief

A portrait of a smiling Black man in a dark pinstriped suit, light blue shirt, and teal tie. A callout box with a blue border and a green inner box contains the text "Questions and answers?". A small grey box is positioned above the main callout box, connected by a thin line.

Questions
and answers?

Thank you
for your time
and attention