



Business Roundtable

For real estate asset and property managers

22 March 2012, Prague

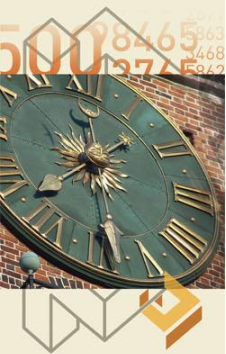
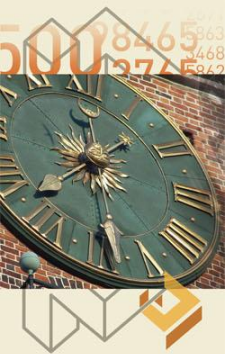


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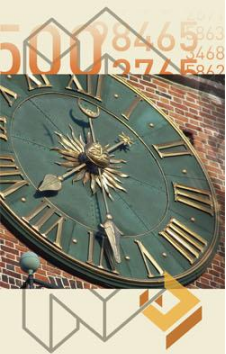




Process Solutions Introduced

- ❑ Originally founded as the Business Process Outsourcing division of **Andersen Worldwide** in Hungary
- ❑ Since 2002 PS operates as a fully independent service provider
- ❑ Close to **300 employees**
- ❑ Close to **200 ACCA students**
- ❑ PS offices established in **5 CEE countries**
- ❑ Serving around **300 clients**





PS' Geographical Reach

Main PS Office:

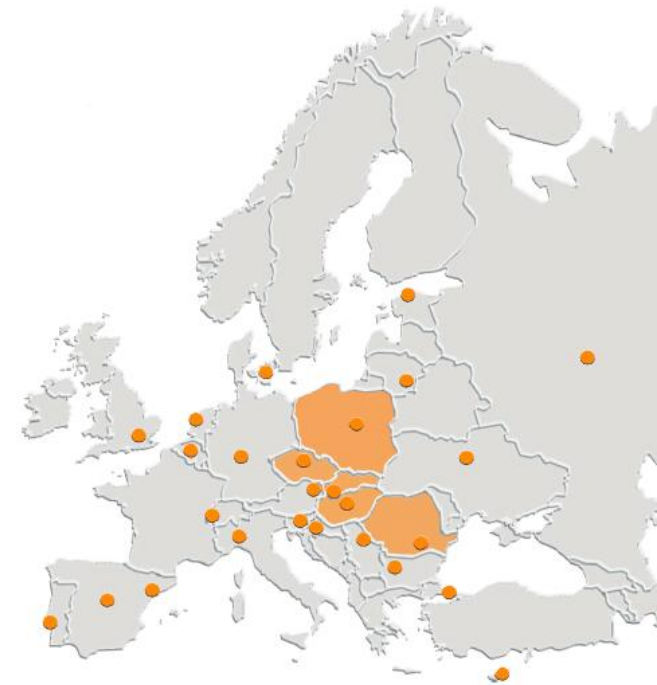
- ❑ Budapest (1999)

Other PS Offices:

- ❑ Bucharest (2007)
- ❑ Warsaw (2007)
- ❑ Prague (2008)
- ❑ Bratislava (2008)

PS Partner Network:

- ❑ European coverage via independent network of PS service providers



Core Services Delivered by PS

BPO – Basic Accounting Services

- ❑ **Bookkeeping**
(purchase to pay, order to cash, processing of travel and expense reports, preparation and entry of GL journal entries)
- ❑ **Monthly Closing**
(strictly according to corporate calendar)
- ❑ **Management Report to IFRS**
(or any other specific International GAAP as required)
- ❑ **Full Statutory Tax Compliance**
(VAT, CIT, all other local taxes & all statutory reporting obligations)
- ❑ **Preparation & filing of annual Statutory Financial Statements**
(full support during both IFRS and Statutory Audit, co-management of the audit process together with the client)
- ❑ **Payroll**
(full scope local statutory payroll, expat payroll)



Other Services Including

- ❑ **Decision Support**
- ❑ **Corporate administration**
- ❑ **M&A support**
- ❑ **Loan Staff**

Process Solutions Prague

Key professionals



Tomáš Frkal

Manager, Managing Director

- A number of years working in the Tax Divisions of Arthur Andersen and PWC
- later gaining experience over a number of years working in industry mainly within the Telecom and Energy sectors
- Tomáš then joined the PS Group to establish and head up our office in Prague.
- Tomáš is a Registered Tax Advisor in Czech Republic



Lenka Pšalová

Manager

- Started her career in PWC Audit
- Spent several years in gas industry where gained experience in the role of Senior Financial Controller.
- Joined PS Prague in June 2011 to extend the Managers team.
- Fully qualified as a Chartered Accountant under "ACCA".



Veronika Federerová Salwenderová

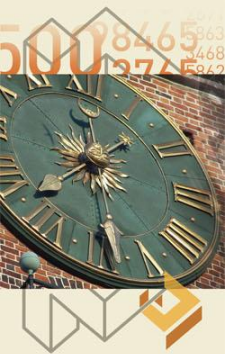
Manager

- A number of years with Deloitte & Touche,
- Then moved into industry to extend her experience as Financial Manager and Financial Controller with 2 international companies.
- Joined PS in Prague to support Tomas in managing Client service delivery.
- Fully qualified as a Chartered Accountant under "ACCA "

Office:

- Employed: 27 professionals
- Office area: 300 m²
- Address: Jugoslávská 620/29, CZ-120 00 Prague 2, Czech Republic

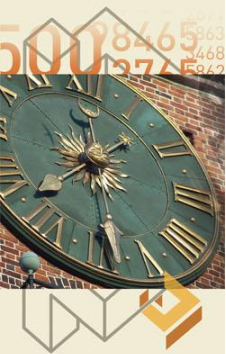




De-leveraging

- ❑ What is it?
 - Reducing liabilities and Increasing equity
- ❑ Why to do it?
 - Increase marketability (avoid negative equity)
 - Reduce negative tax effect of thin capitalization rules
- ❑ How to do it?
 - Increase revenues – rents, occupancy
 - Obtain higher valuation of asset
 - Contribute cash
 - Capitalize deferred tax liability
 - Capitalize non-recoverable financing liabilities
- ❑ Where to start?
 - Modeling future balance sheet

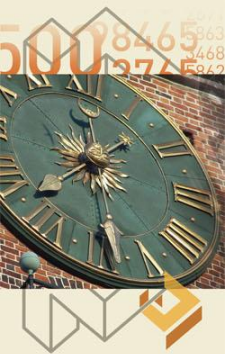




Modeling future balance sheet – I.

- ❑ Business model for next several years in Excel
- ❑ Covenants – usually stated by the bank/potential investor
- ❑ Inputs – Profit & Loss Account
 - Rents
 - Landlord costs, incl. service charge loss due to vacancies
 - Financing costs
 - Depreciation
 - Changes in valuation/impairment of asset
 - Tax



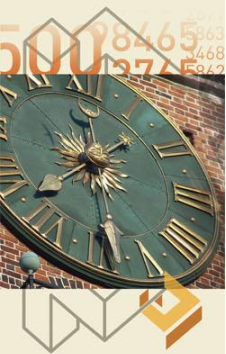


Modeling future balance sheet – II.

Inputs / Outputs – Balance Sheet

- ❑ Assets
 - Fixed Asset, incl. technical improvements
 - **Impairment value (IAS 36)**
- ❑ Equity
 - Share capital and **other capital funds** (easier option 😊)
 - Retained earnings and current period result
 - Revaluation reserve (*rather rare*)
- ❑ Liabilities
 - **Loan**
 - **Unpaid interest**
 - **Deferred tax liability**
 - Other payables





Modeling future balance sheet – III.

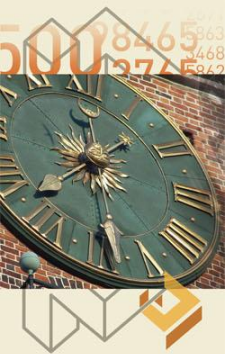
Impairment process

- ❑ Decrease of carrying value of asset (or group of assets) IFRS x CZ GAAP
- ❑ Aim: B/S should not show overstated figures above the „saleable value“ = NRV
- ❑ In IAS 36 strict conditions what the „Recoverable amount“

Impairment indicators

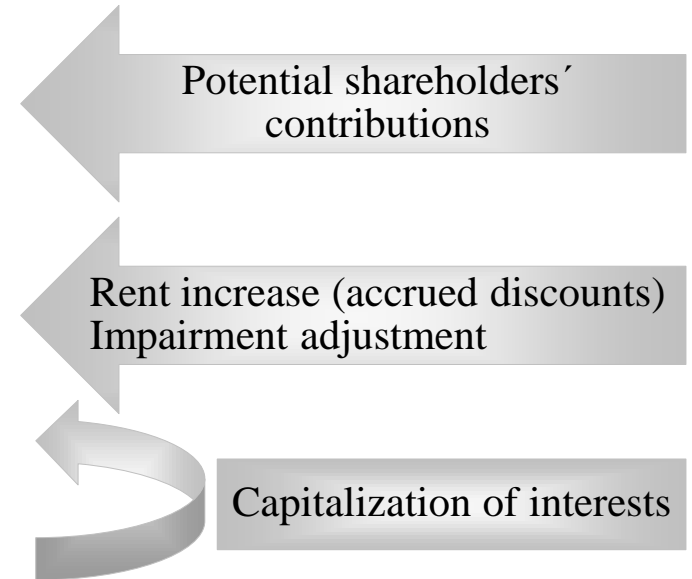
- ❑ External (changes in technological, legal environment)
- ❑ Internal (obsolescence, plans to discontinue...)

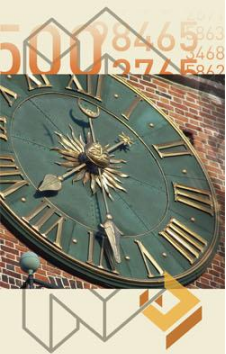




B/S - Equity and liabilities

Share capital	100
Reserve funds	20
Other capital contributions	5
Retained earnings	-300
Current period income / loss	-10
Other reserves	6
TOTAL EQUITY	- 179
Bank loan payable	200
Def. Tax liability	30
Tenant security deposits	5
Trade payables	15
Accruals	8
Provisions	3
TOTAL LIABILITIES	261





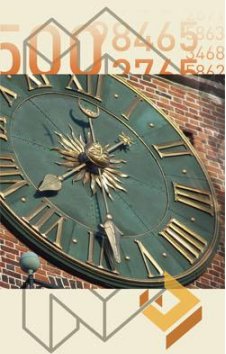
Extensive tenant incentives

- ❑ Most frequent types
 - Rent holidays
 - Fit out contributions – cash / in-kind

- ❑ Common pitfalls
 - Ambiguous definitions in lease agreement
 - Not accrued (deferred) over the lease term

- ❑ Case
 - Major fit out contribution in cash





Current tax topics

- ❑ Domestic VAT reverse charge on construction services
 - Risk for landlord

- ❑ Tax deductibility of leasehold improvements for tenants
 - New from 2012





Thank you for your attention!
