

FOCUS

ROAD MAP FOR 2018

At the end of the year it is imperative to do a year-end review. This allows you to assess the performance. It gives you insights on where to improve and how to allocate and plan for the next year. A review allows the company to avoid those things that went wrong and at the same time capitalize on one's strengths and capabilities.

Previous Year's Projections

Start your analysis with the previous year's projections. Include your projected sales and revenue numbers, anticipated bad debt and debt service figures, projected overhead, manufacturing and distribution costs and projected annual profit or loss. This will shed a lot of light on how you can review policies and actions for the New Year.

Current Status

Review the current financial status of the business. Address each area you covered in your review of last year's projections. For example, compare your projected sales and revenues to your current sales and revenues. Avoid analyzing the differences in last year's projections and this year's performance until after you have completed all of your comparisons. This will allow attendees to see the big picture and then decide what areas they want to discuss in depth.

Analysis

Review and discuss the differences between beginning-of-the-year projections and what actually happened during the year. Present the macro reasons given to you by the appropriate department heads, allowing them to address more specific questions from the group. For example, if sales are down, you might notice that a new competitor entered the marketplace with lower prices.

Recommendations

Once you have discussed your current

financial position, compare it to your projections, analyze the reasons for any variances and discuss recommendations for improved financial performance.

Future Budget Meeting with your Managers

If your meeting is your first budget meeting for the coming year, address recommendations before you create the first draft of your new budget.

When reviewing your finances, you might want to consider the following:

- Cash flow - Make sure that your forecast is regularly reviewed and updated.
- Working capital - have your requirements changed? If so, explain the reasons for any movement. Compare this to the industry norm. If necessary, take steps to source additional capital.
- Cost base - keep your costs under constant review. Make sure that your costs are covered in your sale price - but don't expect your customers to pay for any business inefficiencies.
- Borrowing - what is the position of any lines of credit or loans? Are there more appropriate or cheaper forms of finance you could use?
- Growth - do you have plans in place to adapt your financing to accommodate your business' changing needs and growth?

Annual Business Plan Reviews

We have captured some best practice thinking around business reviews below:

- Don't be too concerned about getting it perfect – your plan may need to be revised over time to account for changing conditions.
- Identify anticipated obstacles and how you expect to overcome these challenges. Be prepared – foresight can save you time, money and

headaches.

- Include a monthly one-year cash flow projection – this is the easiest way to measure your actual progress.
- Be realistic, not optimistic when estimating sales and costs. Determine different scenarios and how it might impact your business.
- Focus primarily on the long term projections.

Prior to writing or revising your business plan for the year, remember to spend an adequate amount of time reflecting on the progress you made on the previous year's plan.

SWOT Analysis

A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis can help you understand how your business is positioned in relation to the market and your competitors, and thus provides verification of strategic/competitive analysis.

By carefully evaluating your business before creating business plan, you can start to craft a strategy that helps you distinguish yourself from your competitors.

Conclusion

At the end of any review process, therefore, it's vital that work plans are prepared to put the new ideas into place and that a timetable is set. Regularly reviewing how the new plan is working and allowing for any teething problems or necessary adjustments is important too. Today's business environment is exceptionally dynamic and it is likely that you will need regular reviews, updates and revisions to your business plan in order to maintain business success.

Dr. Khalid Maniar

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“ A YEAR CLOSER TO EXPO 2020 & VISION 2021

At the cusp of bidding goodbye to a passing year and welcoming a new year, we are going through a transitional period. A transition significant in many ways when the way we operate in our businesses and respective professions are going through a transformation. A transformation from being tax-free to taxable. One of the most significant value that VAT is going to add to our businesses and professions is more discipline, more legitimacy.

Being finance professionals, our world revolves around figures and now when we talk figures it will have an added authenticity as all the businesses under the ambit of Value Added Tax will be accounted and audited. It has opened a plethora of opportunities for all finance and business advisory professionals. On the other hand, financial prudence and accountability are definitely going to add and enhance the

financial health of the businesses and economy at large.

One financial document that reflects the financial health of the economy is the Budget. Recently we saw Dubai's largest-ever government budget worth AED 56.6 billion being announced. While we were copping up with the 2008-09 slowdown, 2013 announcement of Dubai as the host of Expo 2020 instilled a new zeal and vigour. The 2018 Dubai Budget focuses on infrastructure projects led by Expo 2020. It would include construction of the Expo Site, New Metro Rail and creating 3,100 jobs.

The Budget is in line with the Dubai Strategic Plan 2021's targets and future commitments. It mirrors the vision of our leaders, where they want to see our nation in the year 2021 when UAE would be celebrating the 50th anniversary of its union. The aim is to be among the best countries in the world in terms of healthcare, education, social justice, knowledge-driven economy and sustainable infrastructure.

As we embrace new hope and dreams at the dawn of a new year, it's impera-

tive to revise our goals and work with a clear vision. The new tax system and the developmental projects are creating innumerable opportunities. Dubai is a land for people who work hard, with consistency and perseverance. And with every single day devoted to this pursuit, we get closer to our professional goals.”

James Mathew
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Mr. James Mathew was elected as a board member of the global Crowe Horwath International network in November 2017. Since his joining the firm, he rose to the position of CEO while the firm underwent a period of phenomenal growth. Over the period of 20 years, he has contributed immensely to the brand reputation and market share of the firm. He is regarded as a thought leader for his knowledge acumen, professional experience, the high ethical standard of working and unparalleled people skills.

NAIL THE DEAL WITH M&As

Mergers is the combination of two companies to form one, while **Acquisitions** refers to one company

taken over by the other.

M&As are a common corporate strategy and one of the most sought-after business growth strategy. Newspapers

these days is flooded with news on M&A: Below is the list of Top 5 M&A's in the Middle East Region

Rank	Acquirer	Target	Value (in billion USD)	Deal Status
1	First Gulf Bank	National Bank of Abu Dhabi	14.8	Completed
2	Hapag-Lloyd	United Arab Shipping Company	5.4	Completed
3	Adpetio	Americana	3.1	Completed
4	BP	ADCO Onshore	2.1	Completed
5	YTL Power International & Guangdong Yudean	Attarat Power Company	1.2	Completed

Business houses having sufficient sources are on the lookout of business which they can acquire and amalgamate with. Such strategies bring with it, its own benefits like:

- A company does not have to go through the usual life cycle involving the gestation period
- M&A strategy might be a faster and economic means of reaching customers (Market Penetration), accessing technology, or other resources.
- It brings in synergies and economies of scale.
- Diversification in newer markets or industries.
- Consolidating the competition if the target is a competitor

Risks

Many researches have shown that 70%

of Mergers and Acquisitions fall short of their financial objectives and fail to bring in the desired result. The process of integration all the departments post-merger is equally important as the decision of amalgamation itself. In depth attention should be given to:

- Identification of target together with the proposed synergies
- Acquisition Strategy
- Structuring the deal
- Post-Merger Integration Process

Great attention should be given to the motive of M&A and identification of target – its key strengths like good standing in the market, or good employees with less labor turnover, or strong marketing department/strategies, experience, technological advantage, to name a few. Once an Organization has drilled down and singled out a Target, thorough financial, operational, human and legal

due diligence & business valuation should be done.

An M&A team should be form with the following responsibilities:

- Analyzing deal synergies and risks across all the functions.
- Understand Tax and legal implications of such M&A.
- Designing of post M&A Strategy.

To sum it up, a successful M&A will show results and synergies in years to come in the form of increase in revenues, reductions in costs, and overall rise in net worth of the company and thereby stakeholders value.

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THE CRYPTOCURRENCY PHENOMENON

Cryptocurrencies, money of the future, are a form of digitized currencies.

People can trade these through on the internet; digitised currencies.

So what is the worth of these “cryptocurrencies”?

The worth of the cryptocurrency is not absolute. The worth is determined by the people involved in the transaction.

Whenever someone buys or sells something at market price, which is typically either the highest bid or the lowest ask, the price that the last trade was performed at, is the perceived price of the cryptocurrency.

This price further rises or falls as a result of the supply and demand.

Cryptocurrency also has different types to it, which includes Bitcoin, Litecoin, Ethereum, Dash and Ripple.

The aim of Bitcoin, the initial cryptocurrency - as envisioned by the inventor Satoshi Nakamoto, was to create a way to exchange currency without putting reliance on intermediaries, such as banks.

This lack of regulation and control from banks led to the surge in demand, resulting in the Bitcoin being worth more than USD 19,000 compared to USD 0.008 in July 2010.

How do the transactions work?

A transaction (buy/sell), which is then broadcasted in the network, also called a peer- to- peer network. In this network, the requested transaction is verified by ‘miners’.

BITCOIN: A NEW KID ON THE BLOCK

Bitcoin is a new buzz word and is getting into limelight due to its increasing value and people have started considering it as an investment avenue due to the exceedingly rapid change in value in a short period of time. Currently it has market cap of a whopping \$316 billion+! Like any investments, bitcoin is also attached to risks, albeit a high one. It is gaining popularity or notoriety depending on who you ask, as it still has a great deal of grey areas including the sustainability, monitoring and even the legal backing.

While this decentralized digital currency has been successful in attracting large crowds, it has a darker side which is equally important to know.

Bitcoin is decentralized making it out of the reach of most regulatory authorities and thus there is no adequate regulatory clout. The pseudonymous nature of this currency keeps it highly encrypted and only bitcoin addresses are used. This

Every minute the mining computers collect a few bitcoin transactions, which are called ‘blocks’ and turn them into complicated mathematical problems.

The objective of the miners is to solve these puzzles. The first miner to find the solution broadcasts it to the other peers and gets coins as a reward. The transaction is then combined with other transactions on the Block chain.

The block chain consists of all the transactions that have taken place on the network.

Where to buy these cryptocurrencies in UAE?

Residents in UAE can buy these cryptocurrencies directly from international exchanges such as Kraken, CEX.IO etc. using Wire transfer, paypal, credit card or debit card.

Aside from the international exchanges, BitOasis is the first digital currency exchange located in the Middle East which deals in Bitcoins and Ethereum.

How can you use these cryptocurrencies in UAE?

As these currencies are slowly becoming a form of payment in places like U.S and Europe, in September 2017, Dubai-based properties also started accepting rent payments in the form of Bitcoins for residential properties located around Citywalk, Dubai.

In addition, Bitcoin-Enabled ATMs will also be seen around UAE after a deal was signed between NCR Corporation, an American computer hardware & software company

making it easier for the cyber criminals to use it to their benefits. It is often seen as the medium of currency used in ransoms by cyber criminals.

The valuation of Bitcoin and its 50-fold rise is unexplainable making it more volatile and riskier. Unlike other assets, Bitcoin does not have an intrinsic value. It trades like a commodity though there is no tangible backing except for the value decided by the buyer/seller.

Mainly due to decentralized nature of bitcoin there are hardly any technical rules framed or altered, which makes its legal status ambiguous. **This ambiguous legal status along with susceptibility to criminal activities and volatile valuation** has been the darker side of the Bitcoin. This made the bitcoin breach the financial boundaries and infiltrate it by luring the investors with its 50-fold price rise.

It might seem very attractive as an investment even though the risks are high. We anticipate that there will be some regulation on the crypto currencies in the time to come which will bring in some

and Coinbase, a digital currency exchange.

So how is the Gulf reacting to the cryptocurrency boom?

In comparison to other countries, the Bitcoin boom has had less impact on the Gulf region due to the digital currency remaining underdeveloped.

Nonetheless, it has been reported that the Saudi Arabia Monetary Authority (SEMA) and the Central Bank of UAE are teaming up to develop a digital currency which will facilitate transactions between the two regions.

Consideration of the downside

On the outside, bitcoin seems like a very attractive opportunity. However, this isn't to say that it is without any risks. It has been reported that since its inception, around one-third of bitcoin exchanges have been hacked. One of which happened in December 2017, when nearly 4,700 bitcoins worth \$64 million were stolen by hackers who broke into Nice-Hash, a bitcoin mining market based in Slovenia.

Apart from the risk of being hacked, the fluctuating value of bitcoin due to its demand is an inherent risk.

Some say it's a bubble that will inevitably burst, but nobody knows when, while others say that although bitcoin may not last, the technology underpinning it will be a game changer.

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monitoring and accountability.

As far as accounting is considered there is no specific guidance in IFRS on accounting of cryptocurrency, despite accelerating use. How might bitcoins be accounted for?

Cash / Cash equivalence / Currency? – But it has no legal tender and volatile, hence there is significant risk of changes in value.

Financial Instruments? – Does not give the holder a contractual right or obligation i.e, not backed by underlying assets.

Inventory / commodity? – To qualify for inventory, it should be held in the normal course of business and to be commodity it should have convenience yield.

Does it qualify to be called an intangible asset?

We still have to wait and watch.

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CRITERIA FOR EFFECTIVE GOVERNANCE, RISK, AND COMPLIANCE (GRC) FRAMEWORK.

1-Integrate all related functions, activities, processes, roles, people, and teams to avoid GRC silos.

It is important to avoid lack of integration and communication in addressing GRC requirements. The result could be unnecessary duplication of efforts and the evolution of multiple different systems that are uncoordinated and inefficient to maintain. Many processes tend to change with the latest regulations, standards, or new business changes leading to buildup of separate frameworks that are developed

independently without unified structure.

2- Maintain single view of GRC assurance.

It is important to avoid the lack of coherence between different siloed systems, which could make difficult for senior management to obtain an integral overview. It is crucial to get an overall view of compliance risks, to avoid unaddressed or ignored risks

3-Develop a built-on flexible platforms

Often on cloud-based technology, that encompass all activities, processes and accessible by all systems users. It is vital to avoid home-grown systems, such as Excel spreadsheets and Word documents with a mix of tools such as shared folders and file systems. Such

systems could be subject to risks and lack of reliability because of the ease of making errors and accidental changes.

4- Adopt new technologies in addressing GRC requirements.

Old technologies or manual processing are not scalable enough to keep up with frequent changes, new requirements and efficiency of operations. Older systems become increasingly expensive to upgrade, non-user friendly and are difficult to maintain and inefficient to provide global view on GRC assurance and efficiency in operations.

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About Us

Your global partner

Crowe Horwath in UAE is a leading member firm of Crowe Horwath International which is ranked as the top 8 global accounting network with more than 764 offices with 35,000 partners and staff. In 2017, Crowe Horwath is ranked as the 6th largest in United Arab Emirates and globally as the 8th largest accountancy network.

The firm continually demonstrates a commitment to quality and provides an exceptional experience to those clients it serves. As a multidisciplinary practice, we offer unparalleled access to international expertise and talent. Our commitment, to the highest technical standards and integrity, ensures that our clients receive the most accurate and relevant advice.

Providing quality and efficient professional services leverage by our extensive experience of local businesses and a high level of partner involvement. Our aim to provide due diligence with care has enabled us to serve a diverse range of clients ranging from small family-owned businesses to large multinational conglomerates.

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*Source: The ranking is based as per International Accounting Bulletin's, April 2017 Issue 572, publication.

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