



Accountants &
business advisers

Newsletter

Building value for growing businesses

PKF ProGroup Quarterly Newsletter

Quarter 2, June 2009, Volume 14



Nearly 40 years on, the PKF International network continues to go from strength to strength. Many organizations might begin to stagnate after four decades, but the very opposite is true in our case.

As member firm, **PKF ProGroup** provides clients with a quality service that focuses on the specific needs of each client. In addition to maintaining integrity, professionalism and independence at all times .

These are the values of PKF International and its member firms, the values which the network exists to promote.

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WHY CHOOSE PKF PROGROUP ?

Because it is our aim to tailor our services to clients' needs, not to force ready-made products on clients. What you will find here is a broad picture of the huge resources available through PKF member firms, resources that can be shared across borders to provide a world class range of services at world class standards – wherever in the world you do business.

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PKF PROGROUP HAS SIGNED A CONTRACT WITH THE MINISTRY OF INDUSTRY AND TRADE TO ASSESS THE ECONOMIC IMPACTS OF THE JORDAN—MERCOSUR FREE TRADE AGREEMENT

The main objective of this assignment is to contribute in determining the official status for negotiating a free trade agreement with the Mercosur countries, and to assist the decision makers in the Hashemite Kingdom of Jordan adopt an official position when negotiating the accession of the Kingdom to the group of the Mercosur countries so as their decision would be made based on objective grounds.

The Ministry aims, through this study, to provide a thorough economic analysis that helps make the decision in regard to this agreement as well as to strengthen the negotiating powers in the shadow of economic feasibility upon signing the agreement.

The study that will be conducted by PKF ProGroup aims to assess the consequences of establishing a free trade zone between Jordan and the Mercosur countries, and identify the pros and cons of the Jordanian economy on Macro as well as Micro bases.

This requires a quantitative analysis that can predict the comparative advantages of the two *parties*, as well as measuring the effects of Trade Creation and Trade Diversion to estimate the net effect of the Agreement.



IFAC releases 2009 Handbook of International Standards on auditing and quality control

IFAC has released the 2009 *Handbook of International Standards on Auditing and Quality Control*. The handbook features all International Standards on Auditing and the International Standard on Quality Control that have been re-drafted by the International Auditing and Assurance Standards Board through the Clarity Project. Also included are the Glossary of Terms and the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*.

It is important to note that this handbook replaces Part II of the 2008 *Handbook of International Standards on Auditing, Assurance, and Ethics Pronouncements*. Part I of the 2008 edition will remain in effect during 2009, which contains the *IFAC Code of Ethics for Professional Accountants*.

The handbook may be downloaded free of charge from the IFAC website, a printed copy can be ordered from the IFAC online bookstore at www.ifac.org/store

DO WE HAVE A PROCEDURE FOR THAT ??

If you hear that question from anyone other than a new employee or a novice in your organization, then you might have a quality system problem. People who execute processes should know whether or not a procedure exists for a process. The process experts (those who execute the process on a regular basis) should have a role in creating and/or maintaining procedures. Plus, they should have been trained, formally or informally, on the process and the procedure. They should know that they are executing the process according to the procedure.

Occasional process participants (i.e. the expert's back-up, or for processes that are executed infrequently) should rely on procedures because they are not thoroughly familiar with the process. They should know about existing procedures as well.

If the process experts or even occasional users do not know about a procedure, the problem likely stems from several possible areas.

Poor Procedures: Perhaps the procedures themselves are too long, too confusing, too hard to use, poorly written, and perhaps even hopelessly inaccurate. Such procedures are typically ignored in organizations, and for good reason. Pretty soon they are forgotten relics.

Poor Communication: If training and auditing methods are inadequate, then there may not be enough awareness of procedures. Throughout the organization, training should explain why procedures are important, how to find them, how to change them if they are wrong, and what procedures are relevant to particular processes.

Poor Document Control: Without a good system to manage your documents so people can easily find procedures, retrieve them, etc., then once again there is good change people will just ignore them. Procedures are supposed to help members of the organization, not add an additional bureaucratic maze.

So if you have a problem with your colleagues not knowing that procedures exist, or the existing procedures not being used in your organization, there is a good chance there is room for improvement in one or more of these areas.



PROGROUP EXPANDS IN THE QATARI MARKET

ProGroup offices in QATAR has the opportunity to extend its business relationship with his Excellency Shaikh Nasir Bin Abdullah Al Ahmed Al Thani, Chairman of "**Nasser Bin Abdullah and Sons Group (NAS)**" for the purpose of developing full **Human Resources System** for the whole NAS Group which consists of *seven (7) companies*. The scope of work

included the following:-

- 1- Reviewing the Organizational Structure of NAS GROUP and recommending the necessary changes to ensure that the structure is *complete, relevant, sound and approved*; and reflects the future vision and business plan for NAS.
- 2- Developing a comprehensive HR System that will enable NAS Group to *attract, retain, motivate and develop* a highly qualified and motivated workforce able to achieve the Company's objectives, and enhance its effectiveness and efficiency in order to excel and fulfill its vision.



//The focus is always on delivering practical realistic solutions...//

OUR ASSURANCE AND ADVISORY SERVICES

PKF member firms are committed to providing you with quality assurance and advice. Services such as audit, financial reporting and risk management advice give your business the stability you need to manage effectively and achieve your objectives.

Why choose PKF?

The international network allows the delivery of expert assurance and advisory services to many different types of organizations around the world. PKF clients range from small owner-managed businesses, partnerships and charities to listed companies, multinationals and government bodies. The service also covers a broad spectrum of industries and sectors. Internationally, the name of PKF is recognized and respected, and is associated with independent auditing to the highest standards. By adopting advanced international audit techniques and using the latest technology, PKF member firms offer an efficient, cost-effective and comprehensive service to every client.

What is offered?

The service comprises two separate but related elements:

Assurance

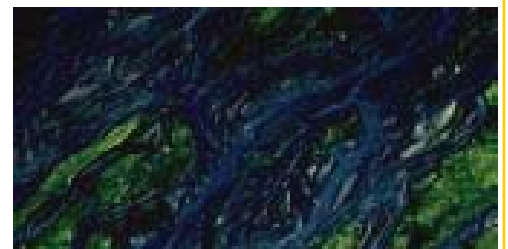
When you are a decision maker, you need to be sure you are acting on reliable information. You need to be aware of your business risks and know that they are managed effectively. You need faith in your underlying systems and controls, and the certainty that you are compliant with key legal requirements. moreover, you need to be able to instill your shareholders, investors and customers with the same confidence. PKF can give you the assurance you need.

Advisory

Whatever your vision, your accounting and control systems need to be tailored to suit it. A PKF member firm can help you design and improve your systems and arrangements to meet your needs, anticipating problems and finding solutions. It is about helping you to ensure that your creative ideas.

Services Include.....

- External Audit;
- Internal Audit;
- Accounting services;
- Tax Advisory;
- Forensic;
- Compilation of Financial Statements;
- Special Assignments.





Industrial Services

A Tradition of Leadership

PKF PROGROUP RENDERS HUMAN RESOURCES CONSULTING & LEARNING SERVICES FOR XENEL IN RIYADH - KSA

PKF ProGroup is currently in the process of rendering HR and Learning Services for XENEL Company located in Riyadh—KSA. The assignment required encompasses developing a complete set of competencies for a specified number of technical job families including supervisors, operators, and other technical staff .



The job profile for each position including the required competencies, the required competency levels, suggested courses, required experience, performance indicators, and associated benchmarks.

Each competency will be defined on three levels demonstrating the complexity upgrade of each competency from one level to the other. These levels are defined as; **Basic, Intermediate, and Advanced**, which definitions outline **positive behavioural indicators** for each competency at each level of complexity.

The position job profiles will indicate the required competency levels depending on; **(a)** the nature of the job, **(b)** complexity of scope and **(c)** managerial skills requirements. Moreover; the competency matrixes and position profiles will include the required leadership, core, and functional competencies.

Xenel (www.xenel.com) was founded in 1973 by the descendants of one of the oldest trading houses in the Middle East . It is positioned at the center of a group of companies created with a shared vision of achieving economic growth by bridging know how to different parts of the world. Over its 30 year history Xenel, through its internal skills, joint venture partnerships and associations with global companies throughout the world, has built expertise in energy, diversified industries, construction, infrastructure development, healthcare, industrial services, IT, logistics, real estate and global investing.



World Economic Outlook

How Did Things Get So Bad, So Fast?

Source: *International Monetary Fund, April 2009*

Crisis and Recovery

In the year following the outbreak of the U.S. subprime crisis in August 2007, the global economy bent but did not buckle. Activity slowed in the face of tightening credit conditions, with advanced economies falling into mild recessions by the middle quarters of 2008, but with emerging and developing economies continuing to grow at fairly robust rates by past standards. However, financial wounds continued to fester, despite policymakers' efforts to sustain market liquidity and capitalization, as concerns about losses from bad assets increasingly raised questions about the solvency and funding of core financial institutions. The situation deteriorated rapidly after the dramatic blowout of the financial crisis in September 2008, following the default by a large U.S. investment bank (Lehman Brothers), the rescue of the largest U.S. insurance company (American International Group, AIG), and intervention in a range of other systemic institutions in the United States and Europe.

These events prompted a huge increase in perceived counterparty risk as banks faced large write-downs, the solvency of many of the most established financial names came into question, the demand for liquidity jumped to new heights, and market volatility surged once more. The result was a flight to quality that depressed yields on the most liquid government securities and an evaporation of wholesale funding that prompted a disorderly deleveraging that cascaded across the rest of the global financial system. Liquid assets were sold at fire-sale prices, and credit lines to hedge funds and other leveraged financial intermediaries in the so-called shadow banking system were slashed. High-grade as well as high-yield corporate bond spreads widened sharply, the flow of trade finance and working capital was heavily disrupted, banks tightened lending standards further, and equity prices fell steeply.

Emerging markets—which earlier had been relatively sheltered from financial strains by their limited exposure to the U.S. subprime market—have been hit hard by these events. New securities issues came to a virtual stop, bank-related flows were curtailed, bond spreads soared, equity prices dropped, and exchange markets came under heavy pressure. Beyond a general rise in risk aversion, capital flows have been curtailed by a range of adverse factors, including the damage done to banks (especially in western Europe) and hedge funds, which had previously been major conduits; the desire to move funds under the “umbrella” offered by the increasing provision of guarantees in mature markets; and rising concerns about national economic prospects, particularly in economies that previously had relied extensively on external financing. Adding to the strains, the turbulence exposed internal vulnerabilities within many emerging economies, bringing attention to currency mismatches on borrower balance sheets, weak risk management (for example, substantial corporate losses on currency derivatives markets in some countries), and excessively rapid bank credit growth. Although a global meltdown was averted by determined fire-fighting efforts, this sharp escalation of financial stress battered the global economy through a range of channels. The credit crunch generated by deleveraging pressures and a breakdown of securitization technology has hurt even the most highly rated private borrowers. Sharp falls in equity markets as well as continuing deflation of housing bubbles have led to a massive loss of household wealth. In part, these developments reflected the inevitable adjustments to correct past excesses and technological failures akin to those that triggered the bursting of the dot-com bubble.

However, because the excesses and failures were at the core of the banking system, the ramifications have been quickly transmitted to all sectors and countries of the global economy. Financial strains in a corrosive global feedback loop that has undermined policymakers' efforts to remedy the situation. Thus, the impact on activity was felt quickly and broadly. Industrial production and merchandise trade plummeted in the fourth. One side effect of the financial crisis has been a flight to safety and rising home bias. Gross global capital flows contracted sharply in the fourth quarter of 2008. In net terms, flows have favored countries with the most liquid and safe government securities markets, and net private flows to emerging and developing economies have collapsed. These shifts have affected the world's major currencies. Since September 2008, the euro, U.S. dollar, and yen have appreciated notably. The Chinese renminbi and other currencies pegged to the dollar (including those in the Middle East) have also appreciated in real effective terms.

Most other emerging economy currencies have weakened sharply, despite use of international reserves for support.



PKF PROGROUP EXPANDS IN *DUBAI—UAE*

PKF ProGroup has recently signed an agreement with **RASSMAL Company, Dubai—UAE** for the purpose of rendering Due Diligence and Business Valuation Services.

Accordingly; the main objective of the Due Diligence conducted was to gather information that will help in making an informed investment decision regarding the impending Acquisition of the Company shares, thereby ensuring a well-executed acquisition process and increasing the chances of the acquisition's success.

Moreover; the main objective of the Business valuation was to estimate the fair market value of a 100% equity interest in the Company, as the term "FAIR MARKET VALUE" can be defined as:

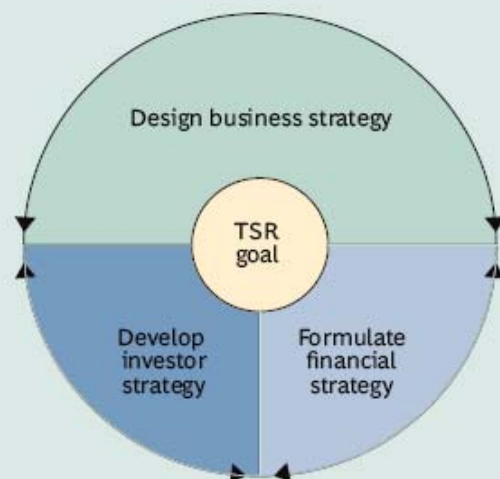
The price at which the property would change hands between a willing buyer and a willing seller, neither being under a compulsion to buy or sell and both having reasonable knowledge of relevant facts.

An Integrated Approach to Corporate Strategy Focuses on Value Creation

Traditional Corporate-Strategy Process



Integrated Corporate-Strategy Process



WHAT IS DUE DILIGENCE ???

Due diligence is used to investigate and evaluate a business opportunity. The term due diligence describes a general duty to exercise care in any transaction. As such, it spans investigation into all relevant aspects of the past, present, and predictable future of the business of a target company. Due diligence sounds impressive but ultimately it translates into basic commonsense success factors such as "thinking things through" and "doing your homework".

WHY IS DUE DILIGENCE CONDUCTED ???

There are many reasons for conducting due diligence, including the following:

- Confirmation that the business is what it appears to be;
- Identify potential "deal killer" defects in the target and avoid a bad business transaction;
- Gain information that will be useful for valuing assets, defining representations and warranties, and/or negotiating price concessions; and
- Verification that the transaction complies with investment or acquisition criteria.

WHEN IS DUE DILIGENCE CONDUCTED ???

Initial data collection and evaluation commences when a business opportunity first arises and continues throughout the talks. Thorough detailed due diligence is typically conducted after the parties involved in a proposed transaction have agreed in principle that a deal should be pursued and after a preliminary understanding has been reached, but prior to the signing of a binding contract.

In conducting the Financial Due Diligence; PKF ProGroup investigates events and conditions which may affect the Company, and help identify "soft spots" and potential issues that may impact deal negotiations. We also focus on the early identification of hidden problems that could be "deal-breakers".

PKF Worldwide Tax Guide 2009 now online

The PKF Worldwide Tax Guide has been published since 1994 and provides both clients and professional practitioners with details about international tax and business matters. This year's edition covers tax guides from 88 countries, our most comprehensive edition to date.



The new PKF Worldwide Tax Guide 2009 is now online and available to download free of charge from the PKF Publications page, the link is provided below:

<http://www.pkf.com/jahia/Jahia/home/resources/resources-publications?matrix=8713yes>



PKF Europe, Middle East and India Regional Meeting 2009

PKF ProGroup Managing Director, Mr. Mohammed Khattab, has participated in the PKF Europe, Middle east and India Regional Meeting for the year 2009 held in Russia.

The past no longer seems to be a guide for the future. Challenges defining today's business environment require a good and sound strategy. *Does PKF International has the right strategy and is it effective ?*

In light of the above; the meeting primarily focused on the challenges confronting PKF International member firms upon which the discussion groups focused on "**thinking opportunity**".



» Gap Analysis

Many companies put into motion plans and strategies for their future without gaining a clear picture of where they are in the present. The logical outcome is misguided actions or inconclusive evidence of the plan's success.

Gap Analysis can avoid this shortcoming by providing a concise, objective assessment of the current state of your organizational effectiveness. By conducting an on-site situation analysis at your facility, we'll produce a baseline for comparison to your target goals and objectives.



"Before we know where we're going, we have to know where we are."

Encourage Customer Feedback and Complaints

Companies who want to get better (improve their products, improve their processes, improve customer satisfaction) should understand the importance of customer feedback and look for ways to encourage and capture what customers and prospects say. All customer feedback is important, including complaints. *So yes, we want to encourage people to complain, as well as encourage positive and neutral feedback.*

Obviously, all complaints are an input to the **corrective action process** (even if it is eventually determined that corrective action isn't required – but more on that next week). Analyzing feedback for trends, patterns, and non-conformance can also provide input to corrective action, even if no one made a direct complaint. The old cliché "Information is power" has a strong truth. Collecting and processing information about what prospects and customers think, want, and need gives us the power to make informed decisions, including problems that need to be fixed.

PKF PROGROUP TEAM VISIT TO PETRA

As part of PKF ProGroup social and recreational activities, and in order to enhance positive and healthy environment among our employees; PKF ProGroup social committee has organized a full day visit to one of the world's seven wonders **PETRA**, in the presence of **Mr. Peter Giese** from PKF International during his business mission to PKF ProGroup offices.

Full of excitement and joy, we headed to Petra at 8:00 and took us five hours to explore the beauty of this rosy city sculpting the rocks and we had lunch in one of Petra restaurants. During our visit, we had the chance to discuss and brainstorm business issues and opportunities..




PKF ProGroup develops a Corporate Governance Manual for Model Restaurants Company PLC.

PKF ProGroup has recently signed an agreement with Model restaurants Company PLC for the purpose of developing full comprehensive **Corporate Governance Manual pursuant to the decision made by the Jordan Securities Commission issued by 29 July, 2008.**

The Corporate Governance Manual developed for Model Restaurants Company aims at establishing a clear framework that regulates the relations and Management at the Company and defines the rights, duties and responsibilities in order to realize the Company objectives and safeguard the rights of all stakeholders. These rules are based principally on a number of legislations, mainly the "Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange, Jordan Securities Law and the related Regulations, Jordanian Companies Law No. 22 for Year 1997, the Articles of Association of the Company supplement to the Memorandum of Association", in addition to the international principles established by the Organization of Economic Cooperation and Development (OECD).





PKF ProGroup, member firm of PKF International, is a regional, multidisciplinary consulting firm with industry specific services. PKF ProGroup offers outstanding opportunities, by providing international standard based services, to dramatically position its clients as pioneers in a rapidly growing business environment. PKF ProGroup plays a major role in business advisory within diverse industries, including auditing, quality assurance and consulting services.

Areas of Experience include finance, taxation, marketing, quality assurance, human resource development, investment, legal, insurance, technology, information management and strategic planning. PKF ProGroup also initiates an added value component where integration, consistency and reliability are effectively enforced. PKF ProGroup high quality services help its clients identify their business needs, improve, excel, cope with business fluctuations and accomplish their anticipated goals.

PKF ProGroup team approach enables operating as integrated cells exposed from diverse industries. Words like creativity, innovation and flexibility generate great success within the firm's services and culture, where PKF ProGroup promise of quality, accuracy, speed, and value remain applicable in all deliverables. Relying on PKF ProGroup beliefs makes its caliber professional and experiencing PKF ProGroup services makes clients distinguishable.

PKF ProGroup services are designed to look after the best interest of our clients and protect their wealth. Our advisors thoroughly investigate the organization's business cycle to innovate the most rewarding solutions.

Since PKF ProGroup establishment in 1990 as a member Firm of PKF International Ltd., we have managed to assist all our clients solve their most demanding issues and overcome their major challenges. Our business experience is real, and so are the results we bring to our clients. We have helped them unlock values in areas such as Accounting, Corporate Finance, Human Resources Management, Impact Assessment Studies, Marketing, Financial Management, and Technology.

Our experience, expertise, methodology, commitment and partnership approach grant our clients an improved business performance. We provide real solutions to real challenges resulting in customized advice and solutions provided to the various clients within their business specialties.