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## **PORTFOLIO MANAGEMENT GUIDELINES**

*Prepared for:*  
*Botswana Development Corporation Limited*

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# **BOTSWANA DEVELOPMENT CORPORATION**

## **PORTFOLIO MANAGEMENT GUIDELINES**

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## **1.0 INTRODUCTION**

### **1.1 PURPOSE OF THE GUIDELINES**

These guidelines summarize the major stages in the OPERATIONS DEPARTMENT'S portfolio management process. They are meant as a guide to enhance the department's staff's understanding of the process, as well as to standardise, where possible, acceptable practice across the department. Much of the guide simply reaffirms what is already in practice, although some of the new activities constitute a marked departure from prevailing practice. Portfolio Management is a fundamental part of BDC's operations. It begins when suitable development opportunities have been identified and the investment is made: it is an ongoing process that has many challenges. It has three fundamental aims:

- providing support to companies in the private sector until they are sustainable and viable
- deriving a return on BDC's equity investments (in the form of dividends and capital gains)
- ensuring that BDC loans are repaid timeously

### **1.2 METHOD OF UPDATING**

It may become necessary from time to time to make changes to the tasks and activities as laid out in these guidelines.

The procedure to follow when such a need arises is as follows:

- the person proposing the change must, by way of written memo to their head of division, indicate which section they wish to amend. The person must further show how they believe the objectives of the section can better be achieved.
- the head of division will review and assess the proposed changes, and discuss them with other division managers.
- the agreed changes will then be made to the master copy of the guidelines (kept by the Division Manager, Industrial Division), a record the date and nature of the change or update will be made and filed at the front of the master copy of the guidelines. When making changes, an entire section or annex must be replaced.
- Copies of new sections or annexes and a new contents page will be sent to every holder of the guidelines. This should be accompanied by a memo explaining where to insert the pages, and that the old pages must be destroyed.
- the old section or annex is then removed from the master copy of the guidelines and filed away in a "changes" file. The replacement section/annex is inserted in the appropriate position in the master file.

### **1.3 RESPONSIBILITIES**

The roles and responsibilities of the different individuals involved in the portfolio management process are as follows:

#### **Desk Officer**

The Desk Officer is the company's key contact within BDC.

- collects and collates information from the companies
- prepares reports for senior management on the performance of the companies in their portfolios.

#### **Division Manager**

The Division Manager

- has overall responsibility for the management of BDC's investment portfolio within a Division.
- supervises Desk Officers in their portfolio management duties
- liaises with other Division Managers

#### **Operations Department Manager**

The operations Manager

- has overall responsibility for BDC's investment portfolio in all Divisions.
- represents the Operations department on the Executive Committee.

#### **Executive Committee**

The Executive Committee

- has the final approval for new and ongoing investments, requests for additional finance, and divestments, up to a limit (above which the transactions have to be referred to the board).

#### **BDC Board**

The BDC board

- has the responsibility for authorising all the major investments and divestments approved by the Executive Committee.

#### **Company Director**

The Company Director

- is the BDC representative on the Board of the company in which the BDC has invested.
- responsible for attending board meetings and keeping Desk Officers and the Division Manager informed

## 1.4 DEFINITIONS

The following definitions are used in these guidelines:

**Company** : Refers to an enterprise that  
-BDC has an equity investment in  
-BDC has provided a loan to  
-BDC has guaranteed a loan for

**Portfolio** : A group of companies that an individual is responsible for

**Subsidiary** : Refers to a company in which BDC controls more than 50% of the equity

**Affiliate** : Refers to a company in which BDC has an equity holding of 50% or less

**Loan Company:** Refers to a company in which BDC has invested by way of loan

## **2.0 PROJECT PREPARATION**

### **2.1 ASSISTANCE IN PROJECT EVALUATION**

During the project development stage, the Project Evaluation Division liaises with the appropriate Division of the Operations Department. The steps undertaken are as follows:

- Manager, Project Evaluation provides summarised project details (or project proposal) to the relevant Division Manager
- Division Manager forwards the project details to a selected Operations Officer
- Based on knowledge of prevailing market conditions and similar BDC investments, one Operations Officer analyses the documents
- Operations Officer prepares a memo to the Project Evaluation Division summarising the comments. (A draft outline of this memo is contained in Annex 1)
- Project Evaluation Officer liaises as necessary with Operations Officer in further development of the project

### **2.2 REVIEW OF PROJECT MEMORANDUM**

Before the Project Memorandum is presented to the Executive Committee, the Project Evaluation division presents it to the relevant Division Manager for review and comment. The Division Manager together with the selected Operations Officer reviews the Project Memorandum (this takes a maximum of two days) and provides comments in the form of a memo. The memo is copied to the Manager of the Operations Department. (A draft outline of this memo is contained in Annex 2).

### **3.0 HAND OVER**

Once the project is approved by BDC's Executive Committee and Board, it is guided through the implementation stages by the Project Evaluation Division. It is handed over to the relevant Division in the Operations Department once all the necessary documentation has been completed.

There are two stages of the hand-over:

#### **3.1 MEETING WITH PROJECT EVALUATION DEPT**

- The Manager, Project Evaluation Division informs the relevant Division Manager that a project is ready for hand over.
- The Division Manager appoints one of the Operations Officers as Desk Officer
- The Desk Officer arranges a meeting with the Evaluation Officer to discuss the background to the project
- Desk Officer examines the files provided by the Project Evaluation Division against a checklist. (A draft checklist is provided in Annex 3 )
- Desk Officer requests more information if necessary
- Desk Officer writes memo acknowledging hand over (A draft memo is provided in Annex 4)

#### **3.2 CLIENT INTRODUCTION AND INITIAL COMPANY VISIT**

- Desk officer and project evaluation officer agree a date for visiting the company, meeting key personnel, and touring the plant
- During the visit, the Project Evaluation Officer introduces the Desk Officer to key company personnel
- Desk Officer explains that all future contact with the BDC to be through the Desk Officer
- Desk Officer explains nature and timing of regular contact, including the format of regular reports
- Desk Officer prepares report summarising the events of the visit for submission to the Division Manager. (A draft report format is provided in Annex 5)

#### **4.0 START UP - SUBSIDIARIES AND AFFILIATES**

Once a project has been handed over, it becomes part of the portfolio of one of the divisions in the Operations Department. If BDC has equity investment in the company, the following start up steps apply:

##### **4.1 ASSIGNMENT OF RESPONSIBILITIES**

###### **4.1.1 Appointment of Desk Officer for company**

- Division Manager allocates the company to an Operations Officer based on the industry sector that the company operates in
- The selected Operations Officer becomes the Desk Officer of the company
- Division Manager updates the company allocation list with the new company

###### **4.1.2 Nomination of Director for company**

- The Division Manager assesses the complexity of the company's operations, as well as the sophistication of the market it is operating in, when considering persons for nomination to represent the BDC on the company's board of directors
- The nominated director is selected from
  - Desk Officer
  - Other Operations Officers
  - Division Manager
  - Operations Dept Manager
  - Other Division Managers
  - Other Department Managers
- Where possible, the Desk Officer is nominated as the BDC representative on the company's board of directors.
- Where a more senior person is required, a Principal Operations Officer, the Division Manager, or the Operations Department Manager is nominated. In such circumstances, the Desk Officer attends Board meetings as an observer
- The Division Manager submits the nomination for the position of director to the Executive Committee for approval.
- Divisional Manager writes memo to BDC Company Secretary informing him/her of BDC's nomination for the position of director. The Company Secretary in turn informs the company of this nomination.
- the company carries out the necessary steps to finalise appointment to the board and notify the Registrar of Companies as appropriate

## **4.2 KEY INFORMATION**

At this stage, the Desk Officer compiles important information on the company systematically.

### **4.2.1 Summary Information Sheet**

This sheet summarises important information about the company. The sheet is provided to the Division Manager and all the other Operations Officers in the Division for their information. (A draft outline is contained in Annex 6).

### **4.2.2 Setting Up of Management Files**

The desk officer sets up management files. A draft list of files is provided in Annex 7

## **4.3 BUSINESS PLANNING**

Where BDC has an equity investment in a company, the Desk Officer often has a substantial role in guiding the company. The Desk Officer therefore revisits the company's projections, operating plans, and strategies as a means of setting measurable performance targets for the company's management.

- Desk officer arranges meeting with key company representatives to discuss the company's overall strategy as well as revise short to medium term projections (Meeting to include BDC representative on the company's board if not the same person as the Desk officer)
- Company management provides a statement of the company's mission, relevant strategies, and business plans for BDC consumption and comment
- Company management compiles revised projections of operating and financial performance for BDC consumption and comment
- Revised projections incorporated into the company's budgets performance to be measured against these expectations monthly
- Desk Officer discusses plans and projections with the company on a regular basis.

## **5.0 START UP - LOAN COMPANIES**

### **5.1 APPOINTMENT OF DESK OFFICER FOR COMPANY**

- Division Manager allocates the company to an Operations Officer based on the industry sector that the company operates in
- The selected Operations Officer becomes the Desk Officer of the company
- Division Manager updates the company allocation list with the new company
- Due to less involvement in the management of loan companies, more junior officers can often be appointed as Desk Officers of these companies

### **5.2 KEY INFORMATION**

At this stage, the Desk Officer compiles important information on the company systematically.

#### **5.2.1 Summary Information Sheet**

This sheet summarises important information about the company. The sheet is provided to the Division Manager and all the other Operations Officers in the Division. A draft outline is contained in Annex 6

#### **5.2.2 Setting Up of Management Files**

The desk officer sets up management files. A suggested list of files is provided in Annex 7

## **6.0 MANAGEMENT - SUBSIDIARIES AND AFFILIATES**

The management of subsidiaries and affiliates takes considerable effort and time of the Desk Officers and Division Managers. Inevitably a large part of the management process will depend on the Desk Officer's personal style, his/her relationship with the company, and the complexity of the portfolio. Nevertheless the activities and tools described below are intended to assist in this crucial process.

### **6.1 INFORMATION GATHERING**

#### **6.1.1 Information From Company Visits**

The Desk Officer must visit the Companies that he/she is responsible for regularly in order to remain in constant touch with events at the company and the industry in general. For Companies based in Gaborone, the Desk Officer will visit the Company at least once a month.

#### **6.1.2 Information from Company Reports**

On a monthly basis, the Desk Officer solicits information from the Company. The information can be solicited by phone or by fax. It is the responsibility of the Desk Officer to ensure that this information is received by the **fifth** day of the following month. (A draft of the Company Report format is contained in Annex 8)

#### **6.1.3 Information from Meetings**

Each time the Desk officer or BDC representative attends a meeting of the company's management, shareholders, or board of directors, it is the responsibility of that person to write a memo providing information from the meeting.

The memo is not intended to be a duplication of the minutes of the meeting, but rather an 'own' view or critical appraisal of the proceedings, including personal opinions even where these differ substantially from the final resolutions reached at the meeting. The memo is kept in the Desk Officer's files and a copy is provided to the Division Manager.

#### **6.1.4 Information from Finance Department**

The Finance Department of BDC is responsible for invoicing the companies for :

- . loan interest
- . other payments due on the current account

The Desk Officer is responsible for ensuring that these amounts are paid in a timely manner. The Desk Officer is also responsible for ensuring that the necessary information is received from the Finance department by the **fifth** day of the following month. The information that the Finance Department provides is contained in Annex 9.

### **6.1.5 Information from the Estates Division**

In some instances the Companies that the Desk Officers are responsible for are also tenants of the Estates Department. In such instances, the Desk Officer receives information from the Estates Department showing rent arrears.

## **6.2 ANALYSIS**

### **6.2.1 Analysis of Information from Company Reports**

The Desk Officer is responsible for analysing the monthly financial information received from the company.

The analysis takes a number of steps :

- Comparing information to previous and expected performance
- Reviewing forecasts for reasonableness
- Calculating ratios on the Ratio Analysis Form
- Comparing ratios to past trends and industry standards  
(where available)

The Monthly Ratio Analysis Form is contained in Annex 10.

The Desk Officer is also responsible for undertaking a Return Analysis on the Company. This analysis uses information from both the Company reports and from Finance Department. A draft Monthly Return Analysis Form is contained in Annex 11.

### **6.2.2 Analysis of Information from Finance Department**

On a monthly basis, the Desk Officer receives, from BDC Finance department, information on the loan and debtors' positions of all companies in his/her portfolio.

The Desk Officer :

- reviews the information to ascertain whether all payments due to BDC have been received by the agreed dates.
- identifies any arrears recorded, and telephones the responsible officer of the company concerned to confirm the position.
- obtains an explanation of why the arrears have occurred, first over the telephone, then by way of written correspondence specifying the ways and means by which the arrears will be cleared.
- informs the Finance department as to when they may expect payment

If the recorded arrears are queried by the company, the company's responsible officer is invited to submit any documentation supporting an alternative position to the Desk Officer whose responsibility it is to clear the position with the Finance Department

## **6.3 REPORTING**

This section outlines the Reports prepared and circulated within BDC. The reports form an integral part of the Portfolio Management process and are a key tool in keeping upper management informed. A flow chart of the process is provided in Annex 12.

### **6.3.1 Desk Officer's Monthly Report**

The Desk Officer summarises the performance of the companies in his/her portfolio and prepares a Monthly Report. The report is submitted to the Division Manager by the **10th** day of the following month. A draft format is contained in Annex 13.

### **6.3.2 Divisional Manager's Monthly Report**

The Divisional Manager gives an overview of the highlights of the performance of all companies within the Division for the month. The report is submitted to the Executive Committee by the **15th** of the following month. A draft format is contained in Annex 14.

### **6.3.3 Divisional Manager's Quarterly Report**

The Divisional Manager gives an overview of the highlights of the performance of all companies within the Division for the quarter. The report is completed and submitted to the Executive Committee by the **30th** of the month following the end of the quarter. A draft format is contained in Annex 15.

The Divisional Manager's Quarterly Report (incorporating any Executive Committee comments) is then circulated to members of the Board.

## **7.0 MANAGEMENT - LOAN COMPANIES**

The management of the loans portfolio should normally take less time than subsidiaries and affiliates. However many of the companies that BDC provided loans to are 'start ups' and require some guidance from BDC. The activities discussed below are intended to assist the Desk Officer in managing the loans for timeous repayments.

### **7.1 INFORMATION GATHERING**

#### **7.1.1 Information From Company Visits**

The Desk Officer must visit the companies that he/she is responsible for regularly in order to remain in constant touch with events at the company and the industry in general. For Companies based in Gaborone, the Desk Officer will visit the company at least once a month.

#### **7.1.2 Information from Company Reports**

On a monthly basis, the Desk Officer solicits information from the company. The information can be solicited by phone or by fax. It is the responsibility of the Desk Officer to ensure that this information is received by the **fifth** day of the following month. A draft of the Company report format is contained in Annex 16.

#### **7.1.3 Information from Meetings**

The BDC Desk Officer may be invited to attend some meetings. Each time the Desk officer or BDC representative attends a meeting of the company's management, it is the responsibility of that person to write a memo providing information from the meeting. The memo is not intended to be a duplication of the minutes of the meeting, but rather an 'own' view or critical appraisal of the proceedings, including personal opinions even where these differ substantially from the final resolutions reached at the meeting. The memo is kept in the Desk Officer's files and a copy is provided to the Division Manager.

#### **7.1.4 Information from Finance Department**

The Finance Department of BDC is responsible for invoicing the companies for :

- . loan interest
- . other payments due on the current account

The Desk Officer is responsible for ensuring that these amounts are paid in a timely manner. The Desk Officer is also responsible for ensuring that the necessary information is received from the Finance department by the **fifth** day of the following month. The information that the Finance department provides is contained in Annex 17.

### **7.1.5 Information from the Estates Division**

In some instances the Companies that the Desk Officers are responsible for are also tenants of the Estates Department. In such instances, the Desk Officer receives information from the Estates Department showing rent arrears.

## **7.2 ANALYSIS**

### **7.2.1 Analysis of Information Company Reports**

The Desk Officer is responsible for analysing the monthly financial information received from the company.

The analysis takes a number of steps :

- Comparing information to previous and expected performance
- Reviewing forecasts for reasonableness
- Calculating ratios on the Ratio Analysis Form
- Comparing ratios to past trends and industry standards (where available)

The Monthly Ratio Analysis Form is contained in Annex 18. The Desk Officer is also responsible for undertaking a returns analysis on the Company. This analysis uses information from both the Finance Department and Company Reports. A draft Monthly Return Analysis Form is contained in Annex 19.

### **7.2.2 Analysis of Information from Finance Department**

On a monthly basis, the Desk Officer receives, from BDC Finance department, information on the loan and debtors' positions of all companies in his/her portfolio.

The Desk Officer :

- reviews the information to ascertain whether all payments due to BDC have been received by the agreed dates.
- identifies any arrears recorded, and telephones the responsible officer of the company concerned to confirm the position.
- obtains an explanation of why the arrears have occurred, first over the telephone, then by way of written correspondence specifying the ways and means by which the arrears will be cleared.
- informs the Finance department as to when they may expect payment

If the recorded arrears are queried by the company, the company's responsible officer is invited to submit any documentation supporting an alternative position to the Desk Officer whose responsibility it is to clear the position with the Finance Department

### **7.3 REPORTING**

This section outlines the Reports prepared and circulated within BDC. The reports form an integral part of the Portfolio Management process and are a key tool in keeping upper management informed. A flow chart of the process is provided in Annex 20.

#### **7.3.1 Desk Officer's Monthly Report**

The Desk Officer summarises the performance of the companies in his/her portfolio and prepares a Monthly Report. The report is submitted to the Division Manager by the **10th** day of the following month. A draft format is contained in Annex 21.

#### **7.3.2 Divisional Manager's Monthly Report**

The Divisional Manager gives an overview of the highlights of the performance of all companies within the Division for the month. The report is submitted to the Executive Committee by the **15th** of the following month. A draft format is contained in Annex 22.

#### **7.3.3 Divisional Manager's Quarterly Report**

The Divisional Manager gives an overview of the highlights of the performance of all companies within the Division for the quarter. The report is completed and submitted to the Executive Committee by the **30th** of the month following the end of the quarter. A draft format is contained in Annex 23.

The Divisional Manager's Quarterly Report (incorporating any Executive Committee comments) is then circulated to members of the Board.

## 8. PROBLEM SITUATIONS - SUBSIDIARIES AND AFFILIATES

The most common problem situations result in a need for additional financing. It is the Desk Officer's responsibility to pre-empt, or at least anticipate with reasonable certainty, the possibility of a liquidity crunch occurring in the company.

### 8.1 IDENTIFICATION OF PROBLEM

To identify companies that may have a problem, the Desk Officer :

- examines the company's monthly cash flow projections to ensure continued ability to service commitments (reliability of projections can be tested by comparing past projections to the subsequent actual cash flows).
- examines the company's net working capital position on a monthly position and and noting the trend.
- reviews periodically the repayment pattern in respect of loans to the BDC and other lenders(on the Balance Sheet ). Where the company is constantly in arrears, the Desk Officer contacts the responsible officer at the company for an explanation.
- the responsible officer from the company prepares explanation, in writing, as well as indicate measures being taken by company to redress the position.
- the Desk Officer critically reviews explanation and proposed recovery plan, communicating further with the company where necessary.
- prepares own report to the Division Manager summarising the **problems**, the **solution** (as provided by the company ), and **own recommendations**.

### 8.2 SOLUTIONS REQUIRING RESCHEDULING

Where the company's recovery plan does not require an additional outlay by BDC, but only a moratorium of interest, a rescheduling of the repayments, or conversion of debt to equity the steps to follow are as follows :

Desk Officer

- requests company management to prepare a proposal detailing the nature of relief sought and the related projections.
- uses his/her knowledge of the company, its management, the industry, and the market when assessing the proposal and making recommendations thereon.
- seeks assistance from Project Evaluation Division when assessing revised projections.
- produces a memo to Division Manager recommending course of action
- the Division Manager comments on the recommendations and forwards memo to Executive Committee.
- Division Manager relays decision of Executive Committee to Desk Officer.
- Desk Officer communicates BDC's decision to the company
- if approved, Desk Officer copies approval decision to Finance department and company secretary.

### 8.3 SOLUTIONS REQUIRING ADDITIONAL CAPITAL

Where the company's recovery plan requires additional financing, this could be in the form of additional equity, additional loan capital, or additional guarantees. The steps to follow are as follows :

#### Desk Officer

- . requests company management to prepare a proposal detailing the areas of need, the total amount needed, and the repayment plan (if applicable), and the related projections of performance.
- . uses his/her knowledge of the company, its management, the industry, and the market when assessing the proposal and making recommendations thereon.
- . seeks assistance from Project Evaluation Division when assessing revised projections.
- . recommends type and amount of additional financing
- . produces a memo to Division Manager recommending course of action
- . the Division Manager comments on the recommendations and forwards memo to Executive Committee.
- . Division Manager relays decision of Executive Committee to Desk Officer.
- . Desk Officer communicates BDC's decision to the company
- . if approved, Desk Officer copies approval decision to Finance department and company secretary.

### 8.4 IMPLEMENTATION

Once approval is received for the desired change in the status of the investment, the Desk Officer oversees

- the drafting of legal documents
- registering of any additional securities
- disbursements
- updating of his/her own files

## 9.0 PROBLEM SITUATIONS - LOAN COMPANIES

The most common problem situations result in a need for additional financing. It is the Desk Officer's responsibility to pre-empt, or at least anticipate with reasonable certainty, the possibility of a liquidity crunch occurring in the company .

### 9.1 IDENTIFICATION OF PROBLEM

To identify companies that may have a problem, the Desk Officer :

- examines the company's monthly cash flow projections to ensure continued ability to service commitments (reliability of projections can be tested by comparing past projections to the subsequent actual cash flows).
- examines the company's net working capital position on a monthly position and and noting the trend.
- reviews periodically the repayment pattern in respect of loans to the BDC and other lenders(on the Balance Sheet ). Where the company is constantly in arrears, the Desk Officer contacts the responsible officer at the company for an explanation.
- the responsible officer from the company prepares explanation, in writing, as well as indicate measures being taken by company to redress the position.
- the Desk Officer critically reviews explanation and proposed recovery plan, communicating further with the company where necessary.
- prepares own report to the Division Manager summarising the **problems**, the **solution** (as provided by the company ), and **own recommendations**.

### 9.2 SOLUTIONS REQUIRING RESCHEDULING

Where the company's recovery plan does not require an additional outlay by BDC, but only a moratorium of interest, a rescheduling of the repayments, or conversion of debt to equity the steps to follow are as follows :

Desk Officer

- requests company management to prepare a proposal detailing the nature of relief sought and the related projections.
- uses his/her knowledge of the company, its management, the industry, and the market when assessing the proposal and making recommendations thereon.
- seeks assistance from Project Evaluation Division when assessing revised projections.
- produces a memo to Division Manager recommending course of action
- the Division Manager comments on the recommendations and forwards memo to Executive Committee.
- Division Manager relays decision of Executive Committee to Desk Officer.
- Desk Officer communicates BDC's decision to the company
- if approved, Desk Officer copies approval decision to Finance department and company secretary.

### 9.3 SOLUTIONS REQUIRING ADDITIONAL CAPITAL

Where the company's recovery plan requires additional financing, this could be in the form of new equity, additional loan capital, or additional guarantees. The steps to follow are as follows :

#### Desk Officer

- . requests company management to prepare a proposal detailing the areas of need, the total amount needed, and the repayment plan (if applicable), and the related projections of performance.
- . uses his/her knowledge of the company, its management, the industry, and the market when assessing the proposal and making recommendations thereon.
- . seeks assistance from Project Evaluation Division when assessing revised projections.
- . recommends type and amount of additional financing
- . produces a memo to Division Manager recommending course of action
- . the Division Manager comments on the recommendations and forwards memo to Executive Committee.
- . Division Manager relays decision of Executive Committee to Desk Officer.
- . Desk Officer communicates BDC's decision to the company
- . if approved, Desk Officer copies approval decision to Finance department and company secretary.

### 9.4 IMPLEMENTATION

Once approval is received for the desired change in the status of the investment, the Desk Officer oversees

- the drafting of legal documents
- registering of any additional securities
- disbursements
- updating of his/her own files

## **10.0 EXPANSIONS**

This section deals with situations whereby a company in which the BDC already has an interest approaches the BDC for additional financing for expanding operations (note that this is for a company performing well, not in a problem situation). The question of whether the request is referred to the Project Evaluation Department for re-evaluation depends on the magnitude of the additional finance required, the period of operation, and will be at the discretion of the Division Manager.

### **10.1 HANDLED BY OPERATIONS DEPARTMENT**

The steps to follow are as follows:

- . the Desk Officer receives the company's proposal for the expansion project
- . based on knowledge of the market, the industry, and the company's operating history, the Desk Officer evaluates the proposal and makes recommendations to the Divisional Manager by way of a written memo
- . the Divisional Manager assesses the recommendations and drafts a memo to the Executive Committee on the subject
- . Executive Committee relays its decision on the request to the Desk Officer via the Divisional Manager
- . Executive Committee seeks Chairman's or Board's approval if necessary (based on the corporation's authorisation limits)
- . Desk Officer relays corporation's decision to the company
- . if approved, Desk Officer copies approval memo to finance department and company secretary
- . while constantly liaising with the company, the Desk Officer oversees
  - the drafting of legal documents
  - registering of necessary securities
  - disbursements
  - updating of his/her own files to take into account the additional financing

### **10.2 FORWARDED TO PROJECT EVALUATION DEPARTMENT**

The steps to follow in this instance are set out below:

- . Desk Officer reviews the proposal for expansion and summarises comments in a memo to the Project Evaluation Division
- . Divisional Manager reviews Desk Officer's memo to the Project Evaluation Division and makes any additional recommendations before sending the proposal for expansion and the memo to the Project Evaluation Division for assessment
- . Project Evaluation Division evaluates the proposal for expansion and presents recommendations to Executive Committee after discussing with Operations Department (as per the steps in section 2.1 and 2.2 above)

## **11.0 DIVESTITURE**

This section outlines the steps that are undertaken when BDC divests some or all of its shares in an enterprise.

### **11.1 IDENTIFICATION**

Identification of enterprises which BDC is ready to divest from is done as per BDC's divestiture plan. Once an enterprise has been identified for divestiture, the responsible Operations Manager discusses the plan with the Manager, Corporate Finance and Divestiture.

### **11.2 TRANSFER OF FILES TO CORPORATE FINANCE / DIVESTITURE DIVISION**

- o Equity Companies - in the case of full divestiture, the responsible Operations Manager transfers all the files relating to the company to the Divestiture Division. A covering memo is prepared (by the Operations Manager), listing all the files transferred, and the Divestiture Division signs and returns a copy of the memo as acknowledgement of receipt.
- o Equity and Loan Companies - Where divestiture occurs in a company in which BDC has both loan and equity holdings, and balances remain on the loan accounts, the Operations department retains all loan related files when handing over files relating to the company to Divestiture Division.
- o In the case of a partial divestiture, the Operations Departments retain their files, while the Divestiture Division opens its own files to record the transaction. The Divestiture Division copies all correspondence to the relevant Operations Manager.

### **11.3 ASSISTANCE TO CORPORATE FINANCE / DIVESTITURE DIVISION**

The Operations Department may from time to time be called upon to provide assistance to the Divestiture Division.

This may include input on :

- an understanding of the market in which the company operates
- future prospects for the company
- valuation of the company
- information about key people within the company
- information about BDC's existing partners in the company

The Operations Manager coordinates the information gathering and communication with Divestiture Division.

**Memo Commenting on Initial Project Details (or Project Proposal)**

**To :Manager, Project Evaluation Division**

**From :Manager, ..... Division (Operations Dept)**

**Date :**

**Re :Initial Project Details (or Project Proposal) for ABC Ltd**

**We have received the .....  
dated the .....and offer the following comments**

**Please note that BDC has similar investments in ..... companies in the sector.If you wish to discuss the details of these other investments, please let us know.**

**Memo Commenting on Project Memorandum**

**To :Manager, Project Evaluation Division**

**From :Manager, ..... Division (Operating Dept)**

**Date :**

**Re :Project Memorandum for ABC Ltd**

**We have reviewed the draft Project Memorandum dated ..... and offer the following comments**

**cc. General Manager, Operations Dept**

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**Checklist for Hand Over**

**Examples**

- **Signed agreements**
- **Registered security**
- **Completed disbursement forms**
- **Hard copy of all documentation referred to in the file**

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**Memo Acknowledging Hand Over**

**To :Manager, Project Evaluation Division**

**From :Manager, ..... Division (Operations Dept)**

**Date :**

**Re :Hand Over of ABC Ltd**

**This is to confirm that we have received all the necessary information on the above company.**

**cc. Finance Dept  
Company Secretary  
Estates Dept**

**NOTES OF INITIAL VISIT TO COMPANY**

**Location**

**Observations**

**Conclusions**

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**SUMMARY INFORMATION SHEET**

**Date**

**Company Name:**

**Address \_\_\_\_\_ :**

**Major Activities:**

**Industry Sector:**

**Division \_\_\_\_\_ :**

**Desk Officer :**

---

**Ownership Structure:**

**BDC Interest in Company:**

**Equity**

**No. of shares**

**Cost**

**Preference Shares**

**No. of shares**

**Cost**

**Dividend Rate**

**Date of Conversion**

**Loans**

**Original Amount**

**Date Disbursed**

**Interest Rate**

**Repayment Period**

**Repayment Amount**

---

**Key Company Contacts**

**Name**

**Designation**

**Name**

**Designation**

## LIST OF MANAGEMENT FILES

<u>File Number</u>	<u>Description</u>
1.	Company Visits Reports
2.	Company Monthly Management Reports
3.	Meetings Reports
4.	Loans Correspondence and Reports
5.	Rentals Correspondence and Reports
6.	Desk Officer's Monthly Reports to Division Manager
7.	General Correspondence

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**MONTHLY COMPANY REPORT - SUBSIDIARIES / AFFILIATES**

**SUMMARY PAGE**

**Company** :

**Report for month/year** :

**Financial Year-End** :

**BDC Desk Officer** :

---

**CONTENTS OF REPORT:**

Page 1: Income Statement

Page 2: Variance Report

Page 3: Balance Sheet

Page 4: Working Capital

Page 5: Cash Flow Projections

**NOTES FOR REPORT:**

1. Enter information on summary page
2. Enter financial information on pages 1 - 5
3. Provide comments on each page (e.g. comparison to previous month, reasons for poor performance etc.)
4. Where figures are N/A provide notes in Comments section
5. Return completed report to BDC Desk Officer by fax or by hand before the 5th day of the following month

**MONTHLY COMPANY REPORT - SUBSIDIARIES / AFFILIATES**

**Page 1: INCOME STATEMENT**

**All figures in P'000**

**Company:**

**Month/Year:**

<b>ITEM</b>	<b>Prior Year Month</b>	<b>Prior Year YTD</b>	<b>Curr. Year Prior Month</b>	<b>Curr. Year Prior YTD</b>	<b>Curr. Year Curr. Month</b>	<b>Curr. Year Curr. YTD</b>
SALES						
Cost of sales						
Gross profit						
Operating exp.						
Profit (pbit)						
Interest						
Profit (pbt)						
Tax						
NET PROFIT						

**COMMENTS:**

**MONTHLY COMPANY REPORT - SUBSIDIARIES / AFFILIATES**

**Page 2: VARIANCE REPORT**

**All figures in P'000**

**Company:**

**Month/Year:**

<b>ITEM</b>	<b>Budget Month</b>	<b>Actual Month</b>	<b>Var- iance</b>	<b>BudgetY TD</b>	<b>ActualY TD</b>	<b>Var-iance</b>
SALES						
Cost of sales						
Gross profit						
Operating exp.						
Profit (ebit)						
Interest						
Profit (ebt)						
Tax						
NET PROFIT						

**COMMENTS:**

**MONTHLY COMPANY REPORT - SUBSIDIARIES / AFFILIATES**

**Page 3: BALANCE SHEET**

**All figures in P'000**

**Company:**

**Month/Year:**

<b>ITEM</b>	<b>Prior Year Year - End</b>	<b>Prior Month</b>	<b>Current Month</b>
Fixed assets			
Current assets			
<b>TOTAL ASSETS</b>			
BDC debt			
Other long term debt			
Other long term liab.			
Total long term liab.			
Current liabilities			
<b>TOTAL LIABILITIES</b>			
Share capital			
Retained earnings			
Other			
<b>TOTAL EQUITY</b>			
<b>TOTAL LIAB. + EQUITY</b>			

**COMMENTS:**

**MONTHLY COMPANY REPORT - SUBSIDIARIES / AFFILIATES**

**Page 4: WORKING CAPITAL**

**All figures in P'000**

**Company:**

**Month/Year:**

<b>ITEM</b>	<b>Prior Year Year - End</b>	<b>Prior Month</b>	<b>Current Month</b>
Inventory			
Accounts receivable			
Cash			
Other			
<b>TOTAL CURRENT ASSETS</b>			
Short term debt			
Bank overdraft			
Accounts payable			
Other			
<b>TOTAL CURRENT LIABILITIES</b>			
<b>NET WORKING CAPITAL</b>			

**COMMENTS:**

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**MONTHLY COMPANY REPORT - SUBSIDIARIES / AFFILIATES**

**Page 5: CASH FLOW PROJECTIONS All figures in P'000**

**Company:**

**Month/Year:**

ITEM	Prior Month	Current Month	Proj. Month 1	Proj. Month 2	Proj. Month 3
Cash Sales					
Receipts from Debtors					
Other:					
Other:					
Other:					
<b>TOTAL INFLOW</b>					
Cash Purchases					
Paid to Creditors					
BDC Loan Repayment					
Other Loan Repayment					
Capital Expenditure					
Other -					
Other -					
<b>TOTAL OUTFLOW</b>					
<b>NET CASH FLOW</b>					
<b>OPENING POSITION</b>					
<b>CLOSING POSITION</b>					

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**MONTHLY LOAN STATEMENT - SUBSIDIARIES / AFFILIATES**

**Company** : ABC Ltd.  
**Statement for month/year** : October 1995  
**Date of Statement** : 25 October  
**BDC Ownership (%)** : 55%  
**BDC Desk Officer** :

**LOAN DETAILS:**

**Amount** :  
**Term (months)** :  
**Interest** :  
**Repayment Frequency** :  
**Repayment Amount** :

**REPAYMENT STATUS**

<b>Date</b>	<b>Item</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
30 Sep	Previous - Unpaid			
30 Sep	Accrued - September			
06 Oct	Payment Received			
31 Oct	Accrued - October			
31 Oct	Total Due	_____	_____	_____

Note: Payments are due in full by the 7th

**AGEING REPORT**

<b>Period</b>	<b>Total</b>
upto 30 days	
30 - 60 days	
60 - 90 days	
over 90 days	

**MONTHLY RATIO ANALYSIS FORM - SUBSIDIARIES / AFFILIATES**

**Company :** \_\_\_\_\_ **Month/Year :** \_\_\_\_\_

**BDC Division :** \_\_\_\_\_ **Desk Officer :** \_\_\_\_\_

<b>RATIOS</b>	<b>Note</b>	<b>Prior Year End</b>	<b>Prior Month YTD</b>	<b>Curr. Year Month</b>	<b>Curr. Year YTD</b>	<b>Target</b>	<b>Ind. Standard</b>
<b>Profitability</b>							
Oper. Margin	1						
Profit Margin	2						
Interest Cover	3						
<b>Liquidity</b>							
Current Ratio	4						
Quick Ratio	5						
Solvency Ratio	6						
Debt / Equity	7						
BDC Debt /Equity	8						
<b>Working Capital</b>							
Debtors (Days)	9						
Creditors (Days)	10						
<b>Return</b>							
Return on Capital	11						
Return on Equity	12						
<b>Industry Specific</b>							
	13						
	14						

- |     |     |
|-----|-----|
| 1.  | 2.  |
| 3.  | 4.  |
| 5.  | 6.  |
| 7.  | 8.  |
| 9.  | 10. |
| 11. | 12. |

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MONTHLY RETURN ANALYSIS FORM - SUBSIDIARIES / AFFILIATES

Company : Month/Year :

BDC Division : Desk Officer :

---

**A. Exposure**

Equity :  
Debt :  
Guarantees :  
  
Total :

**B. Employment Generation**

Employees at original investment date :  
Current Employees :  
Increase / Decrease :

**C. Guarantees**

1. Original Guarantee  
Date :  
Amount :  
Fee :  
Income to date :  
  
2. Current Guarantee  
Date :  
Amount :  
Fee :

Company : Month/Year :

BDC Division : Desk Officer :

**D. Return on BDC Equity**

1. Original BDC Investment

Date of investment :  
 Number of shares :  
 Purchase price per share :  
 Total cost of equity :  
 % Ownership :

2. Additional Investment / Divestment / Dilution

Date :  
 Action :

Date :  
 Action :

3. Current BDC Investment

Number of shares :  
 Average price per share :  
 Total cost of equity :  
 % Ownership :

4. Dividend Payout

Last dividend date :  
 Dividend per share :

5. Book Value

Book Value per share :  
 Book Value of BDC equity :

6. Market Value

Est. Market Value per share :  
 Est. Market Value - BDC Equity:

7. Return on Equity

IRR at initial investment date:  
 Current IRR :

Company : Month/Year :

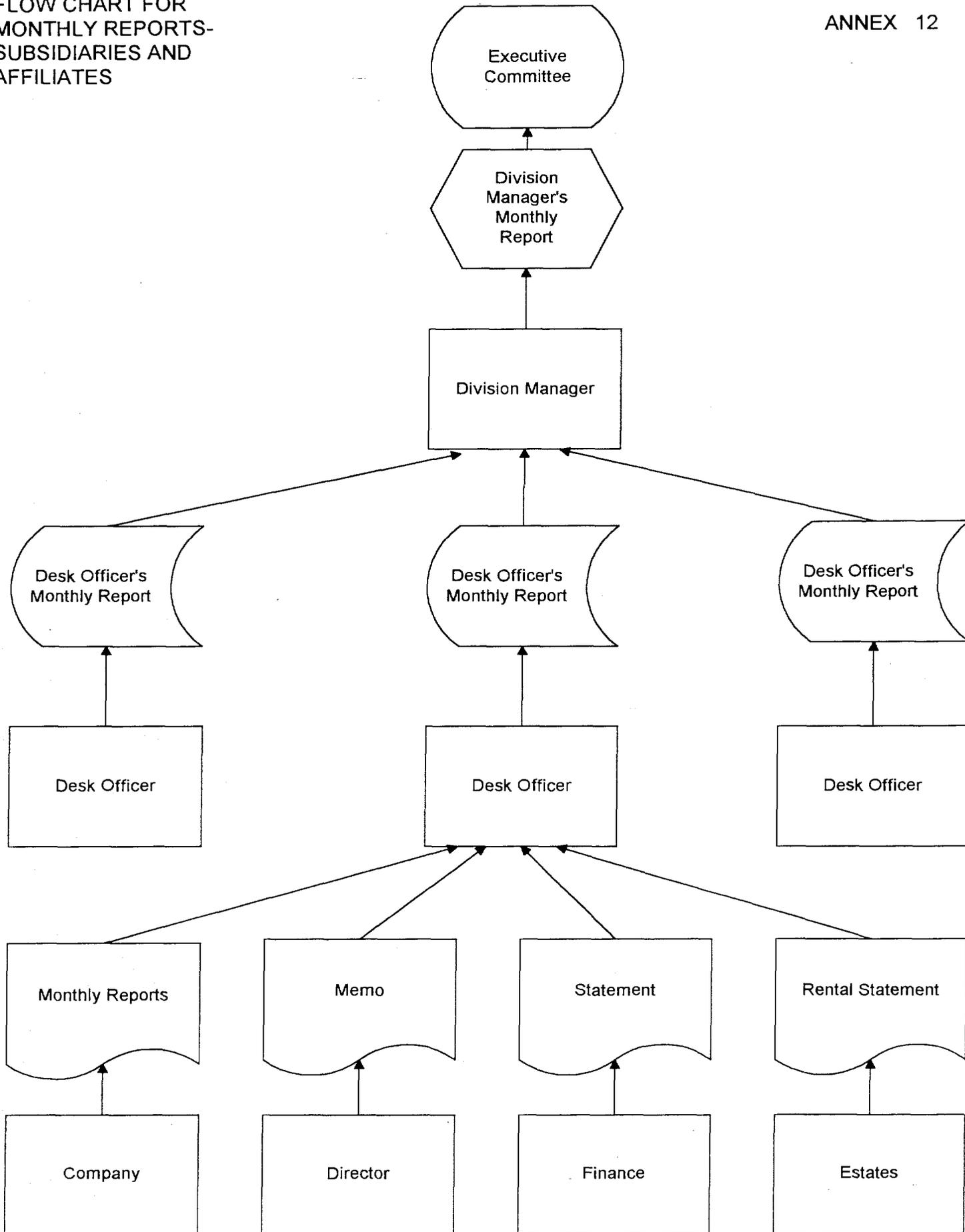
BDC Division : Desk Officer :

---

**E. Return on BDC Debt**

1. Original BDC Loan
  - Date of Disbursement :
  - Amount :
  - Interest :
  - Repayment Frequency :
  - Repayment Amount :
  
2. Additional Loans / Rescheduling details
  - Date :
  - Action :
  
  - Date :
  - Action :
  
3. Current BDC Loan
  - Amount Outstanding :
  - Amount Overdue :
  - Days overdue :
  
4. Return on Debt
  - IRR at initial disbursement date :
  - Current IRR :

FLOW CHART FOR  
MONTHLY REPORTS-  
SUBSIDIARIES AND  
AFFILIATES





















## MONTHLY COMPANY REPORT - LOAN COMPANIES

### SUMMARY PAGE

**Company** :

**Report for month/year** :

**Financial Year-End** :

**BDC Desk Officer** :

---

### CONTENTS OF REPORT:

Page 1: Income Statement

Page 2: Balance Sheet

Page 3: Cash Flow Projections

### NOTES FOR REPORT:

1. Enter information on summary page
2. Enter financial information on pages 1 - 5
3. Provide comments on each page (e.g. comparison to previous month, reasons for poor performance etc.)
4. Where figures are N/A provide notes in Comments section
5. Return completed report to BDC Desk Officer by fax or by hand before the 5th day of the following month

**MONTHLY COMPANY REPORT - LOAN COMPANIES**

**Page 1: INCOME STATEMENT**

**All figures in P'000**

**Company:**

**Month/Year:**

<b>ITEM</b>	<b>Prior Year Month</b>	<b>Prior Year YTD</b>	<b>Curr. Year Prior Month</b>	<b>Curr. Year Prior YTD</b>	<b>Curr. Year Curr. Month</b>	<b>Curr. Year Curr. YTD</b>
SALES						
Cost of sales						
Gross profit						
Operating exp.						
Profit (pbit)						
Interest						
Profit (pbt)						
Tax						
NET PROFIT						

**COMMENTS:**

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**MONTHLY COMPANY REPORT - LOAN COMPANIES**

**Page 2: BALANCE SHEET**

**All figures in P'000**

**Company:**

**Month/Year:**

<b>ITEM</b>	<b>Prior Year Year - End</b>	<b>Prior Month</b>	<b>Current Month</b>
Fixed assets			
Current assets			
<b>TOTAL ASSETS</b>			
BDC debt			
Other long term debt			
Other long term liab.			
Total long term liab.			
Current liabilities			
<b>TOTAL LIABILITIES</b>			
Share capital			
Retained earnings			
Other			
<b>TOTAL EQUITY</b>			
<b>TOTAL LIAB. + EQUITY</b>			

**COMMENTS:**

**MONTHLY COMPANY REPORT - LOAN COMPANIES**

**Page 3: CASH FLOW PROJECTIONS All figures in P'000**

**Company:**

**Month/Year:**

<b>ITEM</b>	<b>Prior Month</b>	<b>Current Month</b>	<b>Proj. Month 1</b>	<b>Proj. Month 2</b>	<b>Proj. Month 3</b>
Cash Sales					
Receipts from Debtors					
Other:					
Other:					
Other:					
<b>TOTAL INFLOW</b>					
Cash Purchases					
Paid to Creditors					
BDC Loan Repayment					
Other Loan Repayment					
Capital Expenditure					
Other -					
Other -					
<b>TOTAL OUTFLOW</b>					
<b>NET CASH FLOW</b>					
<b>OPENING POSITION</b>					
<b>CLOSING POSITION</b>					

## MONTHLY LOAN STATEMENT - LOAN COMPANIES

**Company** : ABC Ltd.  
**Statement for month/year** : October 1995  
**Date of Statement** : 25 October  
**BDC Desk Officer** :

### LOAN DETAILS:

**Amount** :  
**Term (months)** :  
**Interest** :  
**Repayment Frequency** :  
**Repayment Amount** :

### REPAYMENT STATUS

Date	Item	Principal	Interest	Total
30 Sep	Previous - Unpaid			
30 Sep	Accrued - September			
06 Oct	Payment Received			
31 Oct	Accrued - October			
31 Oct	Total Due	_____	_____	_____

Note: Payments are due in full by the 7th

### AGEING REPORT

Period	Total
upto 30 days	
30 - 60 days	
60 - 90 days	
over 90 days	

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**MONTHLY RATIO ANALYSIS FORM - LOAN COMPANIES**

**Company :** \_\_\_\_\_ **Month/Year :** \_\_\_\_\_

**BDC Division :** \_\_\_\_\_ **Desk Officer :** \_\_\_\_\_

<b>RATIOS</b>	<b>Note</b>	<b>Prior Year End</b>	<b>Prior Month TD</b>	<b>Curr. Year Month</b>	<b>Curr. Year YTD</b>	<b>Tar-get</b>	<b>Ind. Standard</b>
<b>Profitability</b>							
Oper. Margin	1						
Profit Margin	2						
Interest Cover	3						
<b>Liquidity</b>							
Current Ratio	4						
Solvency Ratio	6						
Debt / Equity	7						
BDC Debt /Equity	8						
<b>Return</b>							
Return on Capital	11						
Return on Equity	12						
<b>Industry Specific</b>							
	13						
	14						

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| 1.  | 2.  |
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| 9.  | 10. |
| 11. | 12. |
| 13. | 14. |

**MONTHLY RETURN ANALYSIS FORM - LOAN COMPANIES**

**Company** : **Month/Year** :

**BDC Division** : **Desk Officer** :

---

**A. Exposure**

Equity :  
Debt :  
Guarantees :  
  
Total :

**B. Employment Generation**

Employees at original investment date :  
Current Employees :  
Increase / Decrease :

**C. Guarantees**

1. Original Guarantee

Date :  
Amount :  
Fee :  
Income to date :

2. Current Guarantee

Date :  
Amount :  
Fee :

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Company : Month/Year :

BDC Division : Desk Officer :

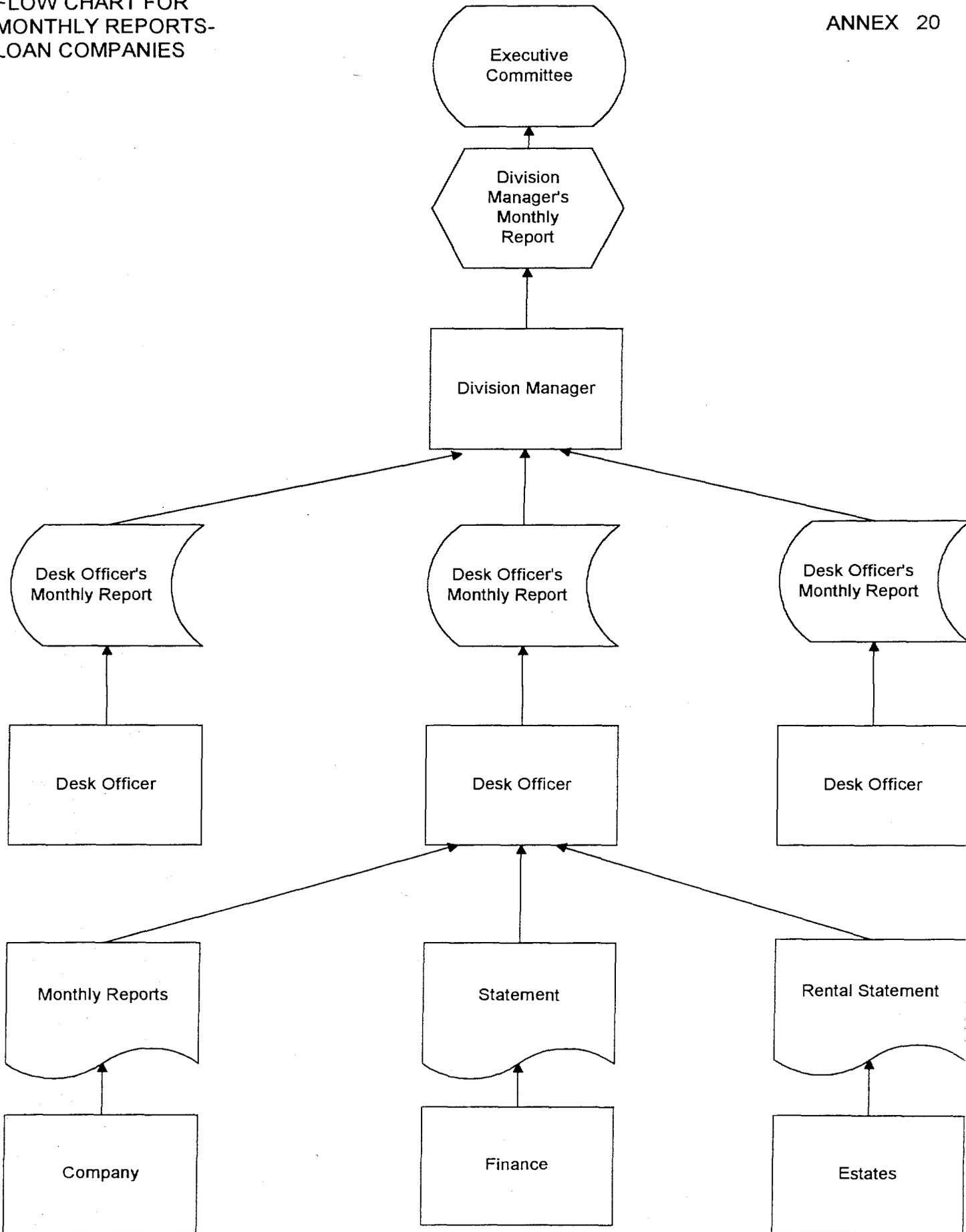
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D. Return on BDC Debt

1. Original BDC Loan  
Date of Disbursement :  
Amount :  
Interest :  
Repayment Frequency :  
Repayment Amount :
  
2. Additional Loans / Rescheduling details  
  
Date :  
Action :  
  
Date :  
Action :
  
3. Current BDC Loan  
  
Amount Outstanding :  
Amount Overdue :  
Days overdue :
  
4. Return on Debt  
IRR at initial disbursement date :  
Current IRR :

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FLOW CHART FOR  
MONTHLY REPORTS-  
LOAN COMPANIES



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**DESK OFFICER'S MONTHLY REPORT - LOAN COMPANIES**

**SUMMARY OF PORTFOLIO**

**BDC Division :**

**Month/Year :**

**Desk Officer :**

---

<b>Company</b>	<b>Prof- itab- ility (1)</b>	<b>Liqu- idity (2)</b>	<b>Amount Over- due (3)</b>	<b>Return on BDC Debt (4)</b>

Notes:

- 1. Current Profitability (Good, Fair, Poor)
- 2. Current Liquidity (Good, Fair, Poor)
- 3. Overdue Repayment - Principal & Interest (in P' 000)
- 4. Return on BDC Debt (%)
  
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.

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**DIVISION MANAGER'S QUARTERLY REPORT - LOAN COMPANIES**

**BDC Division :** 3 Months/Year :

**Manager :** Date Submitted :

**COMPANY REPORTS** Page \_\_ of \_\_

**COMPANY**

**Desk Officer :**

**Significant events during month :**

**Outlook for next three months :**

**Issues needing BOARD attention :**

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**COMPANY :**  
**Desk Officer :**

**Significant events during month :**

**Outlook for next three months :**

**Issues needing BOARD attention :**

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**COMPANY :**  
**Desk Officer :**

**Significant events during month :**

**Outlook for next three months :**

**Issues needing BOARD attention :**

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