

CLIFF BEACHAM

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ManClan (Pty) Ltd

Cliff was CFO for six years, on a part-time basis, for this manufacturer of Kevlar clothing and G-suits for the military. The company employed approximately 130 workers and faced an international arms embargo, which meant that the company imported raw materials via friendly powers.

Scenario 1:

The company made a record profit that year and, therefore the tax burden would be considerable. Cliff arranged the takeover of Parklane Fashions (Pty) Ltd and obtained an NOL of \$1.4m, resulting in tax savings of approximately \$700,000.

Scenario 2:

The Board of Directors was ecstatic since the company had returned the largest annual profit in its history. Each director gave a short speech and, at last, it came to Cliff's turn. He paused for dramatic effect, "I have only three words to say; you will hate me for them but please realize that I mean them and I want you to seriously consider them." The board was silent and expectant! Then - "Sell the company." Pandemonium broke out as the board reacted. At last the question came, "Why?"

The answer to that, Cliff explained, was that the company was in a high risk situation, dependant upon a single product, with no plans to diversify. Now was the time to obtain the highest price, when the net profit at its highest. The shareholders could then take the profit and start again in a less risky business.

Later that year the unexpected happened, the 30-year war in Namibia/Angola ended, demand dropped away and the company faced the hard decision of downsizing or ceasing to exist. The Chairman said to Cliff - "If ever I wished I had followed your advice it is now, this is a nightmare." Cliff was again in the hot seat. While he held this unpopular position, nevertheless, the company heeded his advice to diversify and survived, with a new product line in Uniforms for security companies and police forces.

What was achieved:

1. The company became financially stronger.
2. Through diversification, the company survived.