



Financing your future

Managing the financial future of your business

Your business's
real cost drivers

5 questions for the CFO
of the Year

A new vision
on the value of businesses

Keeping your hospitalization
insurance affordable

Crowdfunding in Belgium

Adapting
to change

Anticipating
change

**SMART,
always wins**

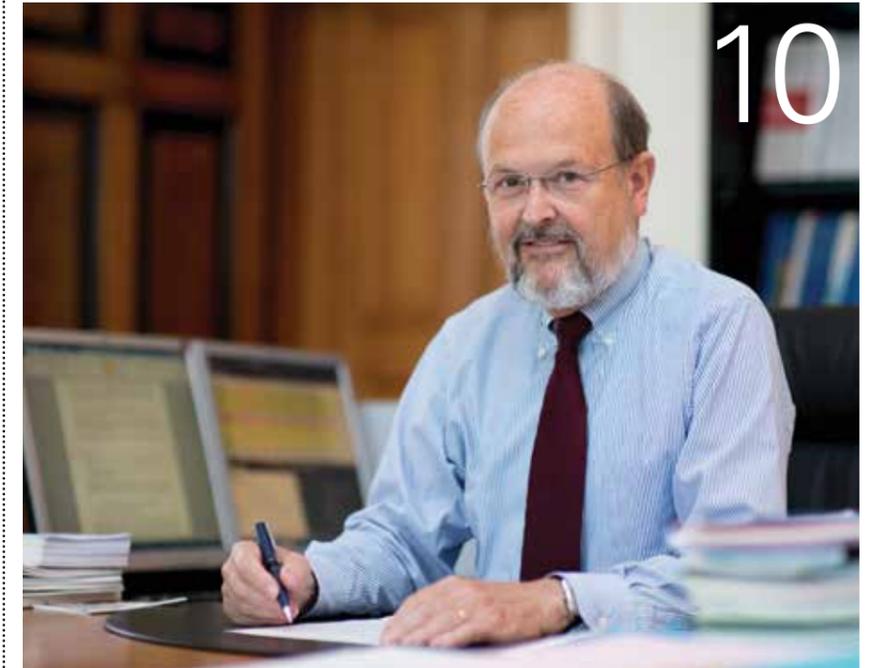
Play the winning hand

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Structure
Mobility
Ability
Resources
Technology

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April 2015



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The future is in your hands



Nobody has a crystal ball. Will the European ECB bazooka, low oil prices or a truce in Ukraine bring about an economic recovery in Europe, or is Europe turning into a Japanese model?

You have little control over such factors. However, as a business leader or entrepreneur, you need to not only dare to but also be able to take decisions every day that are crucial for the future of your business. Furthermore, value creation by a company can no longer be expressed in purely financial terms, but social and ecological aspects need to form an integral part of it. It is a difficult balancing act, and in this issue of KPMG Difference, we want to provide you with a few insights on how to make your business 'SMART' and ready to face the future.



Value creation by a company can no longer be expressed in purely financial terms.

PATRICK SIMONS
Senior Partner

To put all of this in context, we talked to Luc Coene, until recently Governor of the Belgian National Bank. He gives his perspective on the changing future from a macro-economic viewpoint, with a clear outlook on the financial world.

Karen Van Griensven - CFO of the Year –shares her vision of the financial future, and how financial managers should respond to it in a short interview. Companies that are preparing for the new financial future can already find practical inspiration in cost account management practice, which seeks out the real causes of costs, and thus endeavors to achieve optimal over-arching cost effectiveness.

Preparing your company for the future can also mean looking for new sources of finance, for example via crowdfunding or restructuring your hospitalization insurance plan. Using the latest technology, SMEs can now get a lot of added value out of their accountant's services. And if the situation arises, they can benefit from thinking about how to hand over the reins of the business at the best time and in the best possible way.

As a business leader, you need to be sensitive to the wishes of your customer, so we also get four well-known trendwatchers to tell us about the growing pressure from customers and the final consumers.

We hope that at least to some extent, all of this will help you to gaze into the proverbial crystal ball.

Xportscan: A relevant tool for exporters

Are you ready for export? Every day, businesses both large and small in Belgium face the challenges of joining the exporting community. That is why KPMG, K law and the International Chamber of Commerce have launched the Xportscan. The Xportscan is a new tool that helps identify the key challenges faced by Belgian companies in international trade. A question-based tool, it focuses on seven key areas that relate to the needs of companies looking to begin exporting or expand their current exports. The result of the scan is a detailed overview of the company's strengths and weaknesses in relation to international trade. In addition, our experts provide critical insights to help these businesses identify leading practices to help improve their current processes.

Contact Ludo Ruysen (lruysen@kpmg.com) and Serge Cosijns (scosijns@kpmg.com) for more information. ■

KPMG Eurometropool: One-stop-shop for Franco Belgian business

Eurometropole – one of the most prosperous regions in Europe. Spanning both the French and Belgian border region, the SMEs and large corporates located here owe a lot of their success to cross border trade. Yet, they are still confronted with problems related to cross-border commerce. From choosing the type of business structure and managing real estate investments, to employment law and taxation they have a tough environment to face.

That is why KPMG has launched a dedicated team for the region that will provide precise knowledge of the regulations in both countries and insights on the specific knowledge of bilateral trade for these specialized focus areas. Our Eurometropole specialists are ready to provide customized advice. By working with the regional economic players and institutions we can help remove the obstacles that stand in your way to achieving your vision. ■

Family businesses: The heart of the Belgian economy

KPMG's 2014 edition of the *European Family Business Barometer* shows a substantial increase in confidence in the future expressed by family businesses compared to the last survey (December 2013).

In 2014, 70% of the family businesses expressed confidence in the business environment compared to 54% in 2013. Turnover has also increased. In 2014, 55% of the companies said that their turnover had increased compared to 44% in June of 2014. In terms of job creation, 48% said that their personnel rolls increased. Only 10% mentioned a decrease in personnel levels. Underlying this all is that more than before, family businesses are ready to make future investments in their business.

As family businesses are a vital growth engine for the Belgian economy this is good news. With our network of regional offices, KPMG has the right specialists to support you. We have experts who understand the different challenges that family businesses face. From family involvement to the business itself, KPMG offers a range of services that connect the generations and maintain the long-term vision you have for your company. ■

INFRASTRUCTURE 100 – World Markets Report

Infrastructure not only creates economic benefit but also changes the world around us. But how can we – given the constrained financial resources – balance business and social needs? These examples give you a flavor of the amazing infrastructure projects taking place around the world that are designed to have a positive social impact.

China – South to North Water Transfer Project – The project is due for completion in 2050 and would divert 44.8 billion cubic meters of water per year from the Yangtze River in southern China to the Yellow River Basin in arid northern China, where shortages are frequent.

Argentinië – Bus Rapid Transit Corridors – These innovative corridors in Buenos Aires have already cut journey

times on key routes by as much as 50 percent. By the end of 2015 there will be 56 kilometers of dedicated BRT lines connecting all the main transport hubs in the city.

België – Liefkenshoek Railway Connection – The largest PPP project in Belgium this railway involves the construction and maintenance of the civil infrastructure for a new 16.2 kilometer freight-only railway linking the western and eastern Antwerp docks. This alternative to roads would alleviate increasing traffic congestion in the region. ■

Download our Thought Leadership app today to read the full study on your mobile device.



When 4 trendwatchers put their heads together, then the future is now (part 2)

Four leading trendwatchers – Herman Konings, Tom Palmaerts, Steven Van Belleghem and Herman Toch - give their vision about trends, consumers, technology, education, government and business. In this issue, they look at the changing environment and likewise the consumer.



Herman Toch: “The world is changing fundamentally. Business leaders need to understand that, otherwise it will be like going into battle with obsolete weapons. All companies must dare to take a new look at their ‘arsenal’ and their value proposition and regard our environment with a different mindset.”

Herman Konings: “Many companies are rather scared of stepping outside their comfort zone and allowing change. Initiatives like Uber are actually completely normal, but you notice that people are afraid of it and want to maintain the existing structures.”

Herman Toch: “That is understandable: transformation is a bit frightening because we do not know how things are going to turn out. It takes insight and courage to overcome that uncertainty and let go of a number of certainties.”

Tom Palmaerts: “We also come across that attitude among young entrepreneurs: they work partly on gut feeling, without certainty about whether their projects will work out. We need to learn to work more on our intuition. And we have to learn to listen to our individual fans, not to averages from market research. We must be open to new initiatives and keep believing in what we are doing, even though that takes a great deal of flexibility.”

Herman Toch: “So it is important that you as an individual, as a brand and as a company keep faith in yourself. Then you can start out from your own values, and respond much more flexibly to what is going on around you. That is

in complete contrast to slavishly ‘following’ what others are doing, which will drive you crazy. I love companies that stay true to themselves and which work with shadow regimes, where they leave scope for developing new things via trial and error. Things that appear to work can be developed further.”

Is our relationship with customers changing too?

Steven Van Belleghem: “In the future, consumers will be more savvy about data collection. They will explicitly set out their conditions for becoming or remaining a customer. That could be via a sort of ‘your terms’ app in which the customer can tick off what his/her conditions are, thus customizing what is agreed between consumers and the company.”

Herman Toch: “As a business, you have to listen to the customer but you may not feel obliged to meet all the requirements. A company has to behave like a trusted friend, otherwise customers will not allow the company to build up a relationship with them.”

Steven Van Belleghem: “That is going to force businesses to be more transparent about the use of data, as well as providing consistency between product offering and storytelling. If a company fails on those points, then it is not only breaching the trust of its customers, but is also breaching the bilateral ‘terms’. If that happens on the grand scale, then the business has a huge problem. That is a major shift in the existing power relationships.”

Herman Toch: “On the other hand, consumers are not going to impose their conditions unilaterally. We are evolving towards a concept where both parties jointly agree the ‘terms’ of their relationship. I know a company where they are already working on it. There, various levels of relationships are defined, and they determine jointly with the customer what sort of relationship they will have with each other and what conditions and what commitment that entails.”

Steven Van Belleghem: “It is indeed the precursor of a society that is becoming more proactive, and technology will help us achieve that. An armband that constantly measures my status, indicates when I have had enough alcohol to drink, or have taken in enough calories. It will enable us to modify our behavior proactively and handle data and ourselves more consciously. That will also be reflected in the way in which we deal as consumers with businesses and providers. Companies currently have to begin experimenting on a small scale and see how they tackle that.”

Herman Konings: “I believe that playtime with technology is over, and that intuitive technology will soon be a reality. We will have to wrestle with the regulatory problem first, but it is an interesting development, both for government and for business. It is also interesting from the environmental viewpoint. In other words, there are boundless opportunities beckoning.”



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Maximizing value through **value enhancement**

For businesses, efficient value enhancement as a source of competitive advantage has often proven more successful than continued cost cutting. But accomplishing this depends on a keen understanding of your business drivers. Otherwise you are simply comparing apples and oranges.

A recent survey by EIU/KPMG International indicates that 87% of company executives understand that their cost structure will need to change further, but when measurements for cost savings are taken, almost 50% of these executives only realize 50% or less of the planned savings. Why the gap? Prof. Dr. Xavier Gabriëls, Partner Management Consulting at KPMG in Belgium and Global Cost Accounting and Management Champion at KPMG International has made it his life's passion to identify the reasons behind this misunderstanding. "Mostly I can track it down to organizational resistance to question their company's mindset on how things are done, or the absence of a multi-dimensional view and often a focus on short-term objectives rather than a long-term vision."

Understanding indirect costs and the related business drivers

If companies want to make the change it is of utmost importance to make business decisions based on accurate information. With the significant increase in 'indirect costs'

over the past few years among European companies, it is even more important to make sure that these can be controlled effectively. Adopting adequate business drivers to control and if possible allocate these costs to the correct product or service is key if one is to understand and potentially decrease these costs. If indirect costs are triggered for instance by the number of transactions or orders, diminishing or rationalizing these transactions/orders may also decrease the actual indirect cost. If a daily PO input process includes 6 screens to enter, the effort could be diminished by gathering all the necessary input fields on one screen.

A multi-dimensional perspective

Many companies that have a fairly coherent understanding of their production or service costs have a limited one dimensional view. Often it is based on overhead that is allocated based on one single allocation key. This approach has often proven insufficient or distorted. In some instances the allocated costs might be directly triggered by one customer. If two different clients buy the same amount of

products, but one of them pays at a later point in time or frequently calls customer service, this client generates much higher cost than the other. "This is why," states Gabriëls, "I regularly recommend that my clients also analyze client profitability." Other relevant dimensions are markets – corporate, public and financial sector markets - and processes.

Total cost efficiency

The benefits of proactive cost management approach are many. This approach makes costs more transparent and highlights areas for improvement, leads to stronger strategic positioning, improved profitability, leaner processes, tax optimizations, supply chain improvements, etc. The bottom line is that this is not about cost cutting, but about maximizing value. To benefit most from this a total view across the complete production and supply chain cycle companies need to avoid savings in one stage that can generate more costs in another one. For instance sound contract management may be necessary to avoid subcontracting to low cost suppliers that are on the black list in some countries to avoid delayed deliveries or worse, inability to deliver.



A one-size-fits-all approach for cost cutting does not exist and often also cuts costs in areas that are essential for future growth of the company.

Some key points to consider

- An accurate insight into the business drivers that trigger product & service costs is paramount. Overhead has a tendency to increase and is often driven by elements such as client behavior or inefficient processes.
- An in-depth analysis can generate a significant competitive advantage. Resource migration towards elements of real value to the client are key to improving profitability.
- A one-size-fits-all approach for cost cutting does not exist and often also cuts costs in areas that are essential for future growth of the company.
- Cost efficiency needs a change of mindset. Don't hesitate to regularly question your business and facilitate new ideas from everyone in the organization by idea boxes of awareness trainings.

Organizations sometimes only need to adjust their glasses to obtain accurate information to shape their future. "Our aim is to provide companies with the adjustment to their glasses so they can see more clearly and shape their future." ■



Confidence.

in a changing environment

Luc Coene was appointed Director of the Belgian National Bank in 2003, and became Governor in 2011. His term of office came to an end on March 11, 2015: making this the time for a discussion about his vision of the challenges facing the Belgian economy and firms.

Governor, what is the economic outlook for our country?

I forecast that our economy will continue to grow: by about 1% in 2015 and 1.5% in 2016, with around 45,000 new jobs. Due to the falling exchange rate of the euro, low oil prices and interest rates, these growth expectations could even be exceeded. Of course, that is provided that these positive factors are not countered by higher taxes on petroleum products and sustained deflation. Because if there is greater uncertainty, businesses and consumers will postpone investments, which will not promote recovery.

How can the measures taken by the ECB in January further strengthen the economy?

By increasing the cash-flow into the market, the ECB wants to give the economy a boost, and further increase confidence. Then it will be up to the governments to take structural measures to embed this positive trend by, among other things, creating a favorable investment climate, and carrying out the necessary reforms. We should not forget that the current low interest rates are having a moderating influence on the current government deficit. But if interest rates were to rise, then it would be a different story. With the ECB, we therefore wanted to act specifically on confidence by sending a strong signal that people should not be frightened of inflation.

What do you think of the Belgian situation?

In the past, the authorities have taken many measures, but in recent years, we have been doing somewhat worse than expected, mainly because costs have turned out higher than budgeted, and we are receiving less income than planned. Those structurally lower results have to be offset by additional structural measures. An important point for our country is the sharply rising costs due to the ageing population, which is rising faster here than almost anywhere in Europe. Our country has committed to restricting the government deficit in the context of the stability pact, and therefore we have to carry out important reforms in the field of pensions to keep everything affordable and safeguard future generations. We also need to improve the quality of our infrastructure.

Are the labor costs in Belgium really as expensive as is claimed?

We are struggling with a dual problem. There are too few people working, and of those who are working, there are too many employed in jobs outside the private sector, for example in government. Their number is still growing, and that is causing major budget problems. Furthermore, our wage costs are too high in relation to neighboring countries - our hourly rates of pay are 10% higher than in France and 20% higher than in Germany. That means we are pricing ourselves out of the market, both in terms of exports and on our internal market. Therefore, we must first bring our wage costs into line with our productivity, by getting more people into work, and mainly in the private sector.

“

We are pricing ourselves out of the market, both in terms of exports and on our internal market.

How should we go about that?

Innovation is an important driver, but you have to see it within the right context. Within high-tech industries alone, we are not going to be able to create enough jobs to correct the situation. So we need to innovate more in the services sector where productivity is still too low. We will also have to work more on employing people with lower qualifications, because there we are talking about large numbers of people. For this group, the government must reduce the high taxation levels and social security contributions, partly by bringing about a tax shift towards environment, consumption, and capital gains. Through these efforts we need to get more people working, cut government debt, limit the cost of the ageing population, and boost consumption to the level of other European countries. And, there has to be a reduction in bureaucracy, because that further hinders our growth.

Is this the time to invest?

The financing conditions are good, bank lending is becoming more flexible and many businesses have excellent liquidity, making self-financing



Innovation is an important driver, but you have to see it within the right context.

possible. Despite this, we are seeing the lowest investment level in the past 20 years. That is a question of confidence. I think that a positive turning point is about to be reached: growth is becoming less and less negative. The measures by the ECB should increase confidence, and the Juncker plan includes increased government and business investment in new infrastructure and innovation. Access to the capital markets remains too fragmented in Europe. Therefore, we need to facilitate access by simplifying the fiscal rules and by centralizing them. At the same time, we must promote securitization to facilitate investment for those companies that do raise funds on the capital markets. These are all factors that should contribute to easier access to financing - especially for companies not listed on the stock market, leading to an improvement in the overall economic climate and increased confidence.

Can crowdfunding also give businesses more breathing space?

In Europe, 75% of lending is financed by banks, while in the United States, that figure is only 25%. Provision of credit must diversify in Europe, but I don't think it will happen through crowdfunding. Your recent KPMG study shows that crowdfunding in Belgium is barely off the ground- with just 0.1% of total credit provision. In my opinion, the crucial question is, who does the credit analysis. Without sound analysis, the risks are very high. Once a company is unable to repay its debts, there will surely be calls for a review of the system with more protection for investors.

What should businesses be focusing on?

Businesses have to go for innovation, both in terms of products and organization. We must become more flexible and ensure that we secure our place in the value chain through innovation, like Germany is doing. And we need to maximize our strengths. We are an ideal gateway for access to Europe, and we are good at logistics, but we do not manage our strengths sufficiently, causing the creation of bottlenecks rather than solutions. Improved mobility and advanced ICT integration should be able to improve that. And in addition, it is high time that we really play the e-commerce card.

What is your vision of social dialogue in Belgium?

Dialogue between employers and employees is essential. But we urgently need a new spirit and a reset, because this is not working properly. The Executive Opinion Survey of the World

Economic Forum puts Belgium only in 78th place out of 144 countries in terms of cooperation and relations between employers and employees. The Netherlands come in 7th place ... The social partners need to listen to each other and look at the objective statistics about the economic situation, globalization, and the ageing population, and then dare to be open. If they remain too inflexible, then they will marginalize themselves. We must not go back to the kind of deadlock we had just before the oil crisis at the end of the 'seventies, but we have to adapt to the changing environment.

Giants like Google and Apple are increasingly going to act like banks. And we are seeing virtual money like Bitcoin. As National Bank Governor, does that worry you?

Apple, Google or Amazon are not creating money, but just providing an extra - digital - payment channel, which can make payment processes happen even more efficiently. That is no problem, provided that it is not monopolized by one party. The protection of privacy behind the system is quite another matter, but that needs to be dealt with by the politicians. Bitcoins are a potential problem, because nobody controls how many are issued. That could lead to abuse and harm confidence in the financial markets. The system must be secure and controlled and that



Access to the capital markets remains too fragmented in Europe.

is not the case with virtual cash such as Bitcoins.

What do you think about Tax Morality?

I have no problem with tax optimization within the legal framework. But there needs to be more transparency about tax regulations and rulings. It is logic that the general public reacts to things that nobody knows anything about. I would advise government to agree on clear arrangements, and make them public. We must attract foreign investors to Belgium again, and fiscal arrangements can be made to achieve that. Then we should dare to communicate about it, because we must ensure that the people - and therefore consumers - have trust. Transparency will definitely contribute to that trust, as well as an equal sharing of the burden between all layers of society. As to the ethical aspect, I think it is up to the parliament to establish the criteria.

Your governorship came to an end on March 11. Do you still have major plans?

Taking a bit of a break first sounds like a pretty good idea to me. I have had a lot of opportunities in my life, and have been able to do a lot. But I would like to be able to collaborate on a large-scale project, such as the European system for prudential supervision of the banks. In that regard, I certainly have something left to offer. ■



About AQR, Stress Tests and Insurance

Is the Belgian banking sector in good shape?
The Belgian banks came out well in the Asset Quality Review (AQR). The process did not bring to light any major accounting problems, and the main recommendations have been communicated to the various institutions. The results of the stress tests are harder to interpret, because 2 large Belgian banks, which are subsidiaries of foreign banks, were not assessed in Belgium. The results were mainly positive. The Belgian banks are different due to the fact that they hold a lot of mortgages, Belgian State savings bonds, and a lot of savings in their portfolio. When we examine the market structure, then it appears that our banking sector is too heavy for the local needs. There are reasons for that, but I am expecting a consolidation. The market is very competitive, and banks must achieve a sufficient critical mass to be able to cope with the impact of technological developments and regulation. Only the smaller banks which are operating in a niche market can escape that rule.

What do you think about the Single Supervisory Mechanism (SSM)?
The SSM is an important step in the process of rebuilding confidence, because the ECB can exercise holistic supervision with less influence from national differences. After an initial period, the system will also contribute to a more consistent interpretation of rules and practices.

Is the insurance sector going the same way as banking?
The insurance sector is still organized locally, but due to factors like the Internet, the sector will become international at a rapid pace, and therefore there will also be calls rather quickly for a system of central supervision. There is still a competition issue between the various countries, and therefore harmonization is required at a European level, which will actually be more radical than was the case for the banking sector.



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“Generic” Healthcare Insurance: **Same Cover, Lower Cost**

Alternative financing for hospitalization insurance

How can an employer guarantee the financing of the company’s hospitalization insurance when he knows that the costs of such a system will increase in the coming years and that it is so highly appreciated by his employees?

If an employer takes out a traditional hospitalization policy with an insurance company, the latter will require premiums from him and will in return undertake to underwrite any claims. The premium will furthermore include an element of profit for the insurer, as compensation for the risks incurred. The employers’ bill is further burdened by the tax on healthcare insurance premiums. The policyholder has to pay not only a part of the traditional insurance premium tax (9.25%) but also a specific INAMI contribution to hospitalization programs (10%). The combined tax therefore amounts to 19.25%.

Is alternative financing possible?

Let’s now talk about the Third Party Administrator (TPA) system. The first but not the least element to be mentioned is that the adoption of such a system in no way alters the proposed cover. The difference is only at the level of its financing.

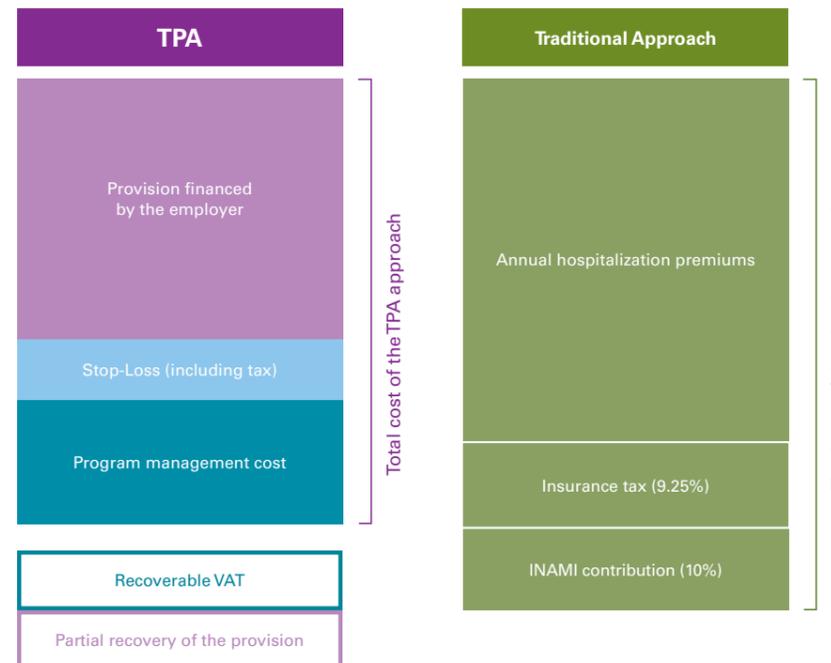
On page 15 you will find a diagram summarizing the difference between the TPA system and the traditional approach.

According to the 2014 Pay Survey, conducted by the Reference magazine in conjunction in particular with UCL, it appears that the hospitalization plans suggested by Belgian employers are highly appreciated. As ever, they are very popular among employees. They are in the Top 3 of fringe benefits, just after the reimbursement of commuting expenses and luncheon vouchers.

Moreover 60.4% of the respondents claimed that they were benefiting from this kind of advantage. This figure conveys the extent to which this cover is included in Belgian pay packages.

The basic principle of the TPA is that a part of the claims will be reimbursed by the employer himself. This system also applies to out-patient healthcare cover. By proceeding in this way, he acts as his own insurer and therefore remains liable for a part of the inherent risk. Concretely, the employer makes payments in order to constitute a provision that will be used for paying the claims directly. As the amount of this provision is not comparable to an insurance premium, it is not subject to tax. Once a year, an itemized account will be established in order to compensate for any difference between the provision made and the actual amount of the claims.

In order to limit the incurred risk, the employer, simultaneously with this provision, will decide on a limit beyond which the claims will be paid by an insurance company. This is the Stop-Loss insurance principle. In this hypothetical case, the insurance company



therefore plays the traditional role of reinsurer. Subscribing to this kind of insurance is mandatory, irrespective of the employer’s management and the employer’s appetite for risk. Indeed, he cannot be completely his own insurer (special authorization is necessary). Moreover, this mechanism enables the continuation to be offered on an individual basis, which has been mandatory since the Verwilghen Act of 10 August 2007. Lastly, this construc-

tion also includes an administrator of the hospitalization plan. Indeed, the weight and the specifics of these matters are such that having a plan administrator is a mandatory requirement. The latter is required, inter alia, to answer all of the affiliates’ calls, to produce the annual itemized accounts and to manage the claims. The cost of this service is subject to VAT, which the employer will subsequently be able to recover.

The TPA system is not a standardized solution that can be applied to every situation. For each company, a study must be carried out in order to validate the compatibility of such an approach with the employer’s specific characteristics, particularly the size of population and the claim statistics. If all these parameters are met, all that remains is to find an insurance company ready to offer this solution. ■



The difference is only at the level of its financing.

Questions to ask yourself

- What is the cost of my hospitalization insurance? Is my HR director properly informed?
- How many people are covered by my insurance?
- What are my insurance claim statistics? And those of earlier years?
- Am I willing to bear a part of the risks myself?
- Am I in a claim stabilization environment? Or am I heading for an increase in claims?
- When did I receive a premium increase demand? Is a premium increase a risk for me this year?
- What is the ratio between the premiums paid to the insurance company and the amount of claims the latter has paid?
- What should I do when my insurance company increases the premiums?
- Am I ready to entrust the management to a TPA while keeping my traditional insurance?
- Should I regularly run an invitation to tender to see whether my premiums are competitive?



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The amount raised via crowdfunding has almost quintupled in two years: from 419,000 euro in 2012 to 2,180,000 euro in 2014. The number of projects grew even faster in the same period: from 11 to 103. Despite the rising numbers, our country still lags behind our neighbors, where at least ten times as much is spent on crowdfunding.

An average of 23,000 euro

The KPMG study shows that a crowdfunding project in Belgium raises an average of about 23,000 euro. The amount raised can vary sharply depending on the type of project and the crowdfunding model used. Of the funds raised, 85% goes into commercial projects. Social projects raise less because they work via a donation model, and because their focus is far more on their immediate surroundings. Commercial projects, on the other hand, are aimed at a

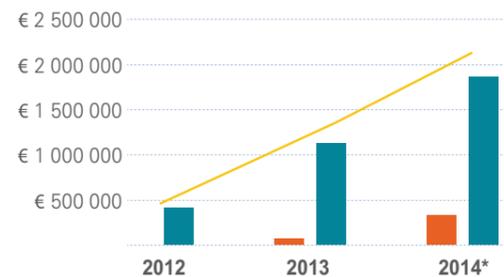
Legal framework

Belgian legislation foresees that if a project does not want to be submitted to the prospectus requirements, it can only raise up to 100,000 euro. This limit has however recently been raised up to 300,000 euro, if the deposit is restricted to 1,000 euro per person.

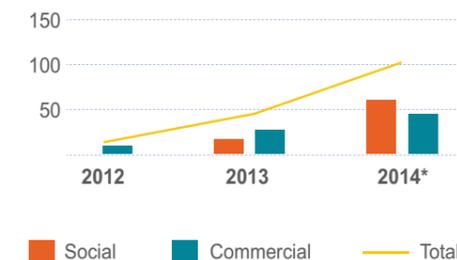
Does crowdfunding have a future in Belgium?

A KPMG study shows that crowdfunding in Belgium rose by 80% in 2014 compared with 2013. Yet Belgium is still lagging behind: the average Belgian spends 0.11 euro on crowdfunding. The Dutch spend 1.58 euro, the French 1.20 euro and the British spend as much as 1.78 euro. Does crowdfunding have a future in Belgium, or is it 'too little too late'?

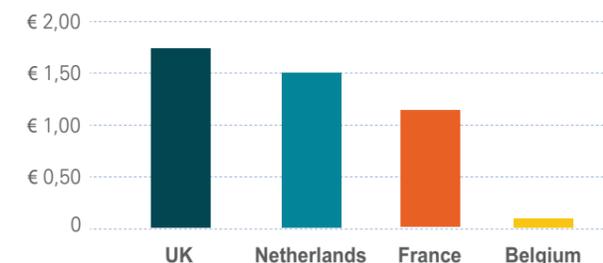
FUNDS RAISED BY CROWDFUNDING



NUMBER OF PROJECTS WHICH HAVE SUCCESSFULLY RAISED FUNDS USING CROWDFUNDING



FUNDS RAISED BY CROWDFUNDING PER CAPITA (2013)



wider audience and often work with the lending or equity model, where the investor can obtain a return on the capital invested. However, we do notice that the number of social projects is growing faster than the commercial projects.

Outlook

KPMG calculated that crowdfunding will increase sharply in Belgium: 4,170,000 euro (2015) and 6,645,000 euro (2016). The growth may be exponential, but there is no question of catching-up to neighboring countries. The causes of this are mainly limited knowledge and experience among investors, businesses and even the platforms and policymakers. And a strict regulatory framework, as well as competition from foreign platforms are obstacles to catching-up. Crowdfunding needs some powerful incentives to make a breakthrough in Belgium, starting with a regulatory framework that meets the real needs of crowdfunding. In addition, a number of large, successful actions could raise crowdfunding's profile. Intensive cooperation with banks could be one incentive. Both are complementary: crowdfunding can attract more trust from potential investors, and this cooperation holds out benefits for banks too. At the same time, an increase in crowdfunding for projects in the public sector could provide an extra boost.

Three important models

There are 3 crowdfunding models: donation/reward, lending and equity. In the first model, contributors donate money to a project, but with lending and equity, they expect a return. In 2014 Equity accounted for 29%, donation for 33% and lending for 38%. The average investment amount for donations is relatively low (90 euro), and for lending and equity the amounts are larger (600 to 2000 euro).

GROWTH PROJECTION FUNDS RAISED BY CROWDFUNDING





From **invoice** to **strategy**

The changing role of the CFO

In 2014, for the first time, a woman was nominated CFO of the year by Trends/Tendances. Karen Van Griesven is the CFO of Melexis, based in Tessenderlo. She took some time out of her busy schedule managing her international finance team to answer a few questions about her role as a CFO, how it has evolved over the last twenty years and what she envisions for the future. Her perspectives demonstrate the fast evolving function of finance teams in the private sector.

“

We have to share our competences, as we are stronger working together than alone.

What have been your biggest challenges as a CFO?

What I've seen as a major challenge was to put finance, as an organization, on the map. But I had to start at the beginning. I first had to ensure very good processes were put in place and our technical competences were developed. Then, with the understanding that you can only add real value when you completely understand the business, the next step was to put our people closer to the business units. We started partnering members of the finance team with managers from the wider organization. Getting these two things right, automated processing and stepping into the business, was very important.

What is one career accomplishment you are most proud of?

Over time I have gotten to see the influence of finance change from being more of a support role where we process invoices, to really assisting the business in strategic decision taking. By bringing together all the analysts from the different departments, and having them connect, we have been able to see an acceleration of this evolution, where finance becomes the consolidator of information. And not just financial information, we also use non-financial information and operational information, to help us make strategic decisions. It has been exciting to see this growing role for finance. By showing our added value through

the additional insights that each individual analyst could never bring from working alone, we were able to build trust. And the business listens. Of course this is not something you build in a day. My advantage is that I have had time – I have been here twenty years – and I have had a stable team and leadership support.

What is the next step for the Finance function to your mind?

Today we step towards the business units, but an even better approach is to attract business people to finance. To have more rotation with people from the business. Through temporary assignments for example. We have already started, over the last year, where we have linked analysts from across the organization, to the finance function.

The other big challenge will be to facilitate finding the right information at the right time and not just to wait for somebody to provide it. It's a zoo today – all the information we have – and not just financial information. We are seeing more and more initiatives to structure and go towards integrated project management. And our team is taking that role – helping to provide a better corporate view and corporate enterprise organization.

How do you prepare for that future on a day to day basis?

It comes down to collaboration. You step out of your comfort zone of pure

finance and collaborate.

Today we work closely with IT to ensure their initiatives are in line with priorities at a strategic level. Together we work on initiatives like information sharing to encourage collaboration and alignment.

We also collaborate with HR, more on 'how do you communicate' in the organization. Finance has a good idea on what is happening in the organization, but how do you translate that into the organization so everyone understands the same things. We need to share our competences because you are stronger together than if you stand alone.

You are the first woman to be awarded the CFO of the year award. What are your thoughts about women in the Finance role?

I strongly believe in having a good balance. It's not about advocating for women more than for men. It is about having a balanced representation in the firm. And today that is not the case.

In private sector it is moving faster I think, but in the pure financial sector there is still a very long way to go. The right balance will depend on the specifics of the company, on the decision making break down, but globally you need a good mix and even in finance you need a balance in that. And we still have some work to do to get there. ■



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“Automation gave us a personal adviser”

Leicon has grown over the years into the European reference for indoor playgrounds. To optimize their accounts system, managers Els and Jan Hosten opted in 2014 for the latest KPMG Cloud Accounting Solution. “It was our initial aim to automate all the accounting procedures as far as possible,” says Jan Hosten. “But the most important side-effect is that our accountant has now, in a manner of speaking, been replaced by a personal adviser.”

Phased implementation

The transition to the new system occurred in phases. Jan Hosten: “First of all, we scanned in our invoices and sent them to KPMG, who posted them. Since the end of 2014, we have been using webscanning: the scanned invoices are automatically uploaded and processed via the KPMG web portal. That involves much less manual intervention, making the whole process much faster and more precise than in the past.” The last phase was introduced in January 2015: the linkage between the internal accounts system and the web portal. Bank statements were also input automatically and processed, which completed the accounting linkage to the incoming and outgoing payments. “The phased approach meant that the transition went smoothly and quickly,” says Jan Hosten. “Now we want to implement the final aspect, where the validation of the sales invoices is automated.”



Els and Jan Hosten

Giving advice spontaneously

The automatic processing and posting of all documents not only saves time internally, but can represent a competitive advantage too, because man-hours can be saved, since no manual intervention is required anymore. In addition, the managers of the business can access the most recent figures immediately. “An important side-effect that I noticed,” says Jan Hosten, “is the fact that my accountant can now release more time to carry out analyses, and give advice and practical hints. That is especially convenient because, as an entrepreneur, you don’t always have the time to look at your own figures. So now I have someone who is contributing their ideas and that is a big plus as far as I am concerned. And last but not least: the cloud environment means that I have access to our data and our system anytime, anywhere. That came in handy when we were on holiday but still had to generate an invoice for an advance payment.”

Cloud Accounting Solutions tool

The KPMG Cloud Accounting Solutions tool is accessible via a heavily-secured web portal (www.kmonline.be) and comprises not only the complete accounts system but also all administrative and legal documents. All bank statements are processed and

booked without manual intervention, while loan amortization tables, notarial deeds and tax returns are kept on the web portal. “That enables the entrepreneur to consult the results almost instantly and perform standard or custom analyses and forecasts

on those figures,” says Griet Detavernier, Director KPMG Accountants. “A conventional accountant invests 70% of his or her time in processing data and 30% in advising clients. At KPMG, that ratio has now been reversed to 30/70.”



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Before passing on the family business **be prepared!**

In many family businesses, the transfer to the next generation is a thorny issue. As a business owner, you have to make some important choices. Do I give the business to my children or sell it to them? Are they interested in carrying on the business? Or would it be better to sell it to a third party? In that case, who should I sell it to: an investor or a competitor? Whichever option you choose, you need to think ahead.

Selling to a third party or to the children

If you choose to sell the business, then you need to prepare your business for the change. First and foremost, you have to determine the value of your company. In addition, you need to examine whether your company's management structure is prepared for a possible sale. In other words: can the company carry on independently without you there, or do you need to change the management structure beforehand? Perhaps you need to take account of the fact that after the sale, you may still stay on for a while. In addition, it is useful to check whether all the contracts are up-to-date and whether the business still has all the necessary permits.

Correspondingly, certain assets may need to be taken out of the company before it is sold. Here we are referring to the settlement of the current account, paying out surplus cash or the sale or splitting-off of real estate, which may be used privately.

Donation or bequest to the children

Each region has provided for specific preferential rules for the transfer of family businesses to the next generation. Each region has its own rules and emphases. The tax domicile of the donor or testator determines which regime applies.

In Flanders, for example, you can transfer the



Each region has its own rules and emphases.

shares in a family business at a gift tax rate of 0%. In the event of death, your heirs in direct line would pay inheritance tax at 3%, while other heirs would pay 7%. In Wallonia, both the gift tax and inheritance tax are 0% on the transfer of a family firm, and in Brussels, the rate is 3%.

Test certificate

In case you die, and your company does not qualify as a family firm because your stake is too small, for example, or because the company is not regarded as an active company, then your heirs in direct line will pay a maximum of 27% in Flanders. In Wallonia and Brussels, the inheritance tax would be 30% in such a case. For a company worth EUR 2 million, heirs in direct line would have to pay EUR 540,000 in Flanders, or EUR 600,000 in Wallonia and Brussels. If your company is appropriately structured, then your heirs would only have to pay EUR 60,000 inheritance tax in Flanders and Brussels - and in Wallonia, no inheritance tax would be due.

If you doubt whether your company meets all the conditions for the preferential consideration, you can always apply for a test certificate. Provided that you make a number of (minor) changes, you can adapt the company so as to take advantage of the preferential tax rates. ■



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1000 km of engagement

About Kom op tegen Kanker

Over a period of 25 years, Kom op tegen Kanker, the fundraising campaign of VLK, the Flemish League against Cancer and one of the largest charity campaigns in Flanders, has become a mainstay of the battle against the disease. From the proceeds of €20.6 million collected in 2012 and 2013, no less than €18.5 million was allocated to a large number of projects.

1000 km of Kom op tegen Kanker

One of Kom op tegen Kanker's best-known activities is definitely the 1000 km cycling tour that takes place every year during the Ascension weekend and which will be organized for the sixth time. The concept is simple: each team that raises €5000 for the 1000 km of Kom op tegen Kanker can enter. This year, the proceeds will go to research into the causes and ways of approaching therapeutic failures. Because each year over 36,000 people in Flanders find out that they have cancer. For these tens of thousands of people it is all about improved survival prospects and a better quality of life during and after the treatment.

KPMG as a campaign partner

Patrick Simons, Senior Partner KPMG: "As a company, we feel it is

important to contribute to a better world. This can be done in many different ways and there are many charities that all deserve our attention and support. With the 1000 km of Kom op tegen Kanker, we have opted for a charity that we feel enables us to have a broad impact as a company."

Koen Maerevoet, Head of Tax KPMG: "It rallies our employees around a common cause. You notice that something like this can set many things in motion. Personally, I see it every year when I ride the final stage towards Mechelen. The enthusiasm among the riders, supporters and staff is fantastic."

Kristien Neyens, Coordinator Events, Kom op tegen Kanker: "We appreciate that as well as our structural partners, we also have KPMG on board as a campaign partner. Partly due to their presence, we can turn the Ascension weekend into a genuine experience. And that is very important, as it motivates the participants even more, not just during the cycle ride, but also during the fundraising in the months leading up to the event. Kom op tegen Kanker is really pleased that KPMG will be joining us again this year in our battle against cancer!" ■

FOR MORE INFO

<http://www.1000km.be/>
<http://www.komoptegenkanker.be/>



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Bridge between **financial** and **societal value**

How can businesses take account of the impact of external and environmental factors on their future profitability? Within the international KPMG network, a new methodology ('True Value') has been developed to bridge the gap between financial and societal value creation. Using this methodology, the value of a company is calculated, including the external effects that the company has on society. The actual value of a company is formed by the total of the financial, environmental and social values (V=F+E+S). The report about this methodology contains a 6-point action plan so that business leaders can align financial and societal value more closely and reform their existing business models with the aim, in the longer term, of increasing profits and reducing risks.

Corporate value in tomorrow's world

Businesses produce goods and services, and in doing so, create employment, prosperity and shareholder value. At the same time, businesses exploit our planet's natural resources, which means they can have a negative impact on the environment and society. These effects on the environment are having an ever-greater impact on the value of the business. As a result of worldwide research, KPMG can identify which external factors have an impact on the future value of companies.



A new vision of value

'A New Vision of Value' identifies three key drivers that are closing the gap between financial and societal value creation:

- new regulations and standards;
- the growing influence of stakeholders;
- changing market dynamics, driven by economic, social and environmental megaforges.

These three drivers mean that financial externalities, which historically had little or no impact on cash flows and risk profiles, are bringing new opportunities with significant implications for financial value creation in the 21st century. Business leaders and their investors need to be aware of these new dynamics in order to unlock value creation opportunities optimally and manage risks. They need to identify and quantify externalities, recognize what is driving internalization of these effects and understand the implications for financial value.

6-point action plan

The report emphasizes how closer alignment between financial and societal value creation is being held back by the current financial system, in which investors and business leaders are focused almost exclusively on the creation of short-term shareholder value. The report proposes a six-point agenda for change:

1. demonstrate leadership and tangible action;
2. clarify the concept of fiduciary duty;
3. improve understanding of the relationship between financial and social value;
4. change mandates and incentives;
5. improve the quality of data provided by companies and investors;
6. create an appropriate policy framework.

The report 'A New Vision of Value' can be consulted via the KPMG website in Belgium

How can KPMG True Value improve my financial performance?

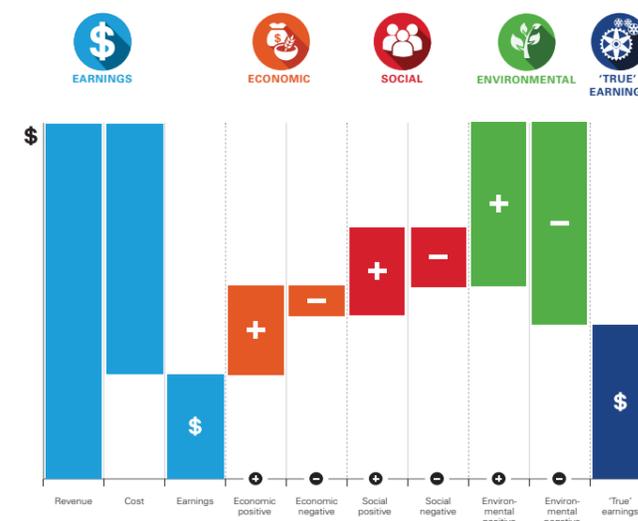
By engaging and improving collaboration across functions, revenues can be increased, existing costs can be reduced and future costs avoided.

What's in KPMG True Value to enhance my strategic planning?

It provides quantitative analysis that challenges existing strategies and builds broader business cases for investment decisions.

How does KPMG True Value increase our influence with investors and stakeholders at large?

It enables a fact-based and balanced value creation dialogue with stakeholders and provides an objective base for advocacy and policy debate.



Source: KPMG (2014). A New Vision of Value: Connecting corporate and societal value creation.

KPMG and its Partnerships

As a member of management, every day you are challenged with making the right decisions, despite being constantly confronted with changing variables, and time pressures. KPMG is here as your 'trusted advisor' to help you tackle these challenges, offering you practical advice so you can approach the future in a SMART manner. Through our partnerships, KPMG is able to bring our values to life, showcasing our strengths and what we stand for. To enhance this, KPMG has recently entered into partnerships with the following organizations.

The Royal Belgian Golf Federation

This year, KPMG has entered into a new partnership with the Royal Belgian Golf Federation, a partnership that is expected to both raise KPMG's profile and enhance the visibility of golf in the larger community. This comes at a strategically relevant time as we enter the preparation for the 2016 Olympic Games in Rio, where golf will be represented for the first time. Additionally, as part of this partnership, we will be organizing the KPMG Trophy, formerly the Belgian Challenge Open, which is Europe's second tier European Challenge Tour.



Trends/Gazellen

KPMG's partnership with Trends/Gazellen demonstrates its commitment to fast-growing companies. It is a priority for KPMG to stimulate progressive entrepreneurship, which is represented through our support for this initiative.



Vlerick Business School



Inspired by the successful collaboration on a Chair in Banking, KPMG has not only renewed its partnership with Vlerick Business School, but moved the partnership into a new domain. An official agreement for the Chair entitled "Rising to the

Power Grid Challenge" was signed by Patrick Simons, Senior Partner at KPMG in Belgium and Philippe Haspeslagh, the Vlerick Business School Dean. This chair offers KPMG the opportunity to develop deeper insights into the challenges faced by the energy sector. These insights will enable us to better help our clients and European Distribution System Operators in reviewing their strategy and seizing new opportunities

Guberna



KPMG has entered into an institutional research partnership with Guberna, the Institute of Directors. This collaboration works towards KPMG's objective of promoting good governance throughout all of its dimensions, and for all types of businesses. Within this framework, KPMG will work together with Guberna on a Toolkit for board members, a handbook that will contain practical tips and tricks to enable the directors to correctly fulfil their mandates and responsibilities.



Improving
your business

Resetting
your mindset

SMART,
always wins

Play the winning hand

smartalwayswins.be

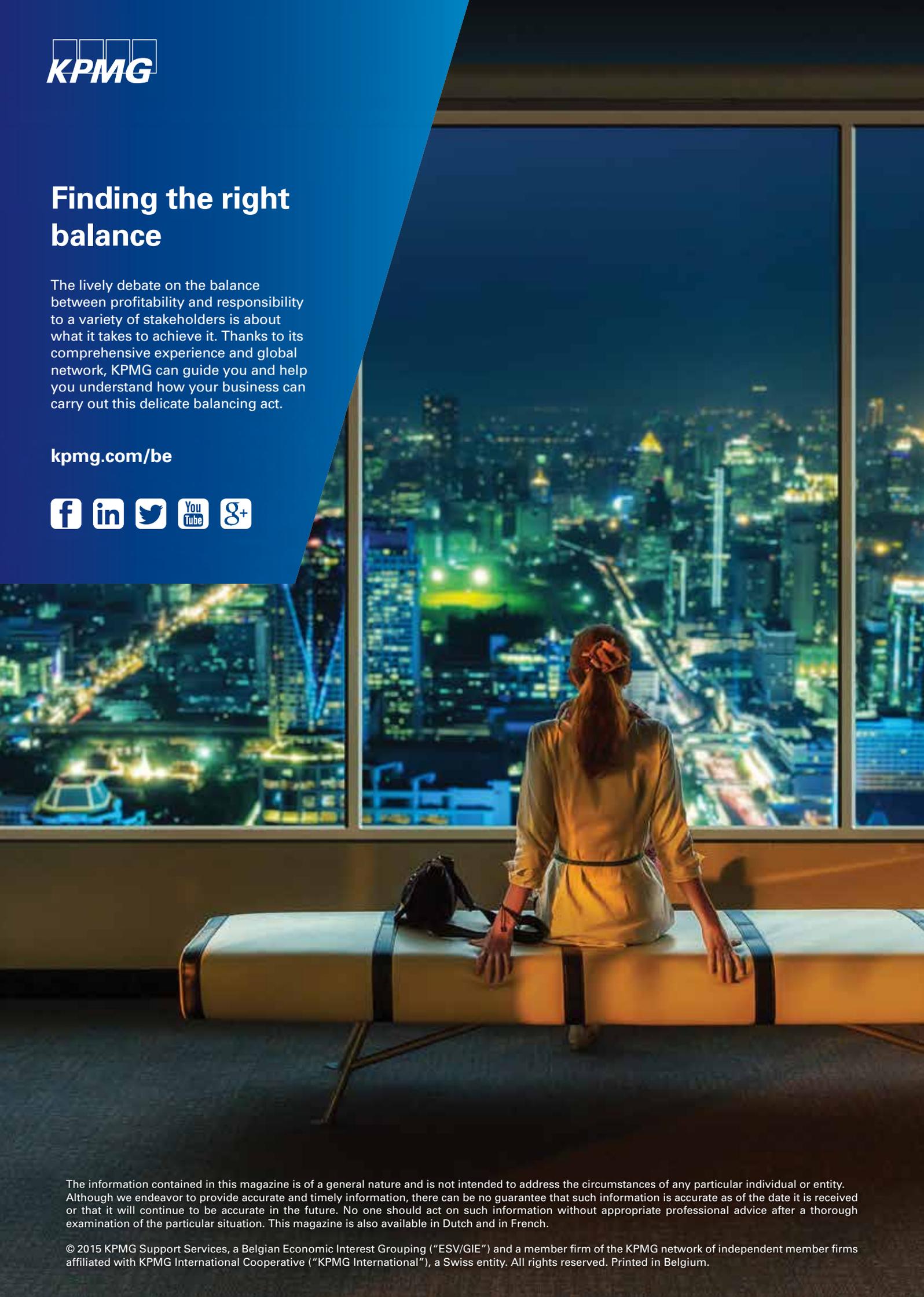
Structure
Mobility
Ability
Resources
Technology



Finding the right balance

The lively debate on the balance between profitability and responsibility to a variety of stakeholders is about what it takes to achieve it. Thanks to its comprehensive experience and global network, KPMG can guide you and help you understand how your business can carry out this delicate balancing act.

kpmg.com/be



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