

# Real world solutions for testing times



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Managing your business through the recession

# Helping your business come out the other side



The challenging economy in 2009 will put many businesses under stress, and we are here to support you through the difficult days, weeks and months ahead. In these testing times, you need an adviser who genuinely listens, and takes the time to ask the difficult questions, questions you might not have thought about. You'll receive objective and practical advice from us, helping you to make the big decisions and to seize appropriate opportunities as they emerge.

- We bring the full scale and breadth of services you need, delivered in a distinctive, personalised way.
- Proactive and director-led relationship teams, who deliver solutions to your problems, **not** pre-packaged products and services.
- Integrated delivery of the best advice from across our services and locations, **not** separate silos having separate conversations with you.
- Extensive expertise in the issues facing Australian businesses, combined with the true global reach and resources of Grant Thornton International.
- Specialist services that understand businesses in distress, and can help identify appropriate solutions in difficult circumstances.

# About Grant Thornton Australia

Grant Thornton Australia is a member of Grant Thornton International, the fifth largest accounting network in the world. We provide audit, tax and advisory services to privately held businesses and corporate and listed entities.

Our infrastructure, expertise and methodology are world class, traits which benefit our local clients. However despite global clout, Grant Thornton has not lost sight of its roots and key differentiators – director accessibility and a friendly, personal approach. We work with our clients over the long term to help them to achieve their ambitions and grow their business.

## Audit & Assurance

- statutory audits & financial report reviews
- audits of other financial information
- internal audits
- systems and controls reviews
- agreed upon procedure reports
- corporate governance.

## Tax

- corporate tax services
- international tax and transfer pricing
- fringe benefits & employment taxes
- indirect taxes
- R&D tax services.

## Advisory

Corporate finance, including:

- M&A
- debt and equity raising
- pre & post deal services
- strategy and planning
- valuations
- due diligence
- capital markets.

Recovery and reorganisation, including:

- restructuring and turnaround
- exit strategy services
- lender support services
- insolvency services
- pre-lending services.

Other:

- business risk services
- business transformation consulting
- outsourcing
- litigation and forensic.

## Privately held business services

Services to the business and owner:

- strategic planning & structuring advice
- finance/banking reviews
- succession planning
- business profit improvement
- support establishing an Australian location
- tax compliance & planning
- wealth management & planning.

# The big questions for your business

No doubt your plans to respond to the recession are very much in progress. It can feel as though there are so many questions to consider at once, but at Grant Thornton, we know that some questions are more important than others. And some questions you need to have an answer for today.

Throughout this brochure, we've clearly highlighted all the big questions that we think you should be asking of your business. Simply look for the asterisk to find these important considerations.

Do you need to refinance your current facilities?

How much cash do you have now and will it run out?

Are your debtor days increasing or are you experiencing high levels of bad debt?

Are you preserving your margins or are they declining?

Have you identified surplus costs? Are there opportunities to improve your operational efficiency?

Are you striking the right balance between reducing staff costs and maintaining incentivisation?

Are you up to date with recent guidance on financial reporting as well as your fiduciary responsibilities as a director?

What are your key risks and opportunities in your market?

Are you planning merger and acquisition activity to improve your competitive position?

Do you have a robust business plan and commercial strategy for the longer term?



# Key priorities for management

Many management teams forget to do the basics when the market is buoyant, but that will need to change. Focusing on the right things will give businesses under pressure more room for manoeuvre, while for others it will provide opportunities to realise ambitions more quickly than planned. This is how we can help:

## Financing your business

- Analysing funding requirements
- Preparing submissions to funders
- Benchmarking terms and pricing
- Considering alternative sources

## Working Capital Management

- Managing your cash
- Forecasting and re-forecasting
- Optimising tax cash flow savings
- Improving management information

## Protecting profits

- Product portfolio analysis
- Optimising pricing strategy
- Enhancing terms of trade
- Identifying overhead savings

## Operations and cost reduction

- Establishing cost reduction programmes
- Improving supply chain
- Enhancing operational efficiency
- Outsourcing back office functions

## Communication and compliance

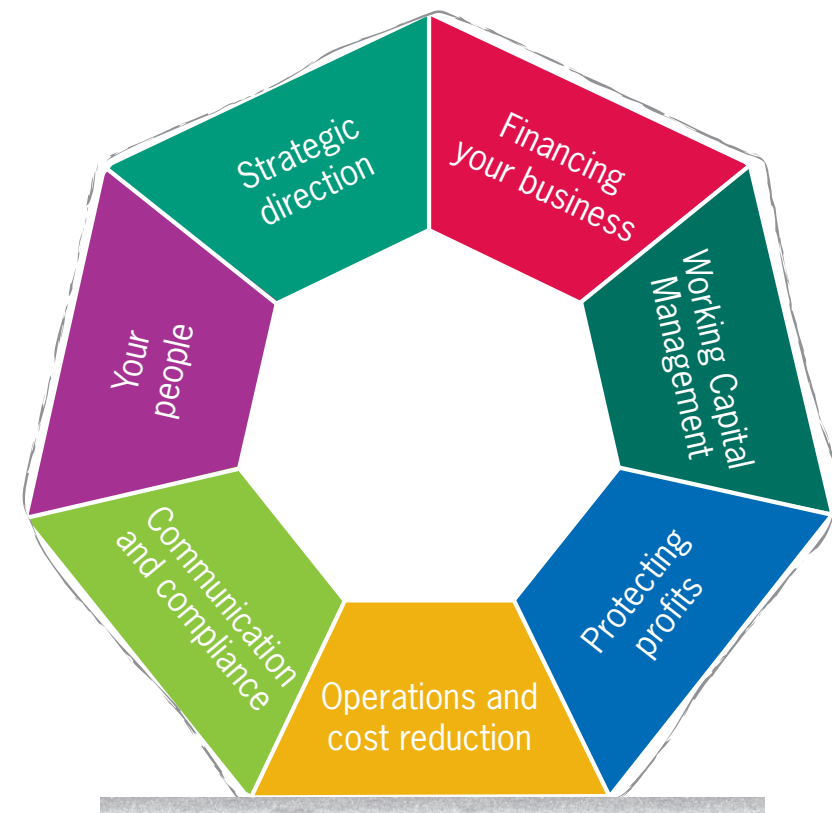
- Advising on financial reporting requirements
- Clarifying directors' responsibilities
- Mitigating fraud risk
- Evaluating and designing controls

## Your people

- Optimising superannuation and benefit schemes
- Retaining the right staff
- Devising tax efficient redundancy packages
- Enhancing reward packages

## Strategic direction

- Benchmarking against competitors
- Entering new markets
- Identifying acquisition opportunities
- Disposing of non-core assets



# Breaking through the



As the recession deepens, and in the aftermath of last year's banking crisis, businesses are finding it ever more difficult to raise finance, or renegotiate financing structures. Banks are increasingly focusing on their existing customers, and are carefully evaluating risk v reward. Equally, as more businesses under-perform, more and more are breaching their banking terms.

## The big questions for your business



- Q How is your balance sheet?
- Q Do you need to refinance your current facilities?
- Q Is your existing debt provider trying to renegotiate the terms and pricing of your existing facilities?
- Q Are you experiencing problems with credit rating agencies?
- Q Do you need additional funding for short-term restructuring or a longer-term change in business strategy or operations?
- Q Do you need to reassess your financial gearing?

# funding barriers

## How we can help

Although financing markets are challenging and expensive, there is a wide range of funding solutions available. We will take the time to understand your exact funding requirements, the opportunity for funders and the most competitive options. We are experienced at negotiating terms with funders, and can provide an integrated approach that comprehensively covers all the critical tax, accounting and market issues.

- Testing your strategy and business plan, including an analysis of your funding requirements.
- Helping with the preparation and presentation of the financial model for submission to funders, including carrying out robust sensitivity analysis on the banking covenants.
- Leveraging our relationships with funders to gauge appetite and then benchmarking terms and pricing.
- Managing the due diligence process with funders to allow your management team to continue focusing on the day-to-day running of the business.

# Cash is the oxygen

For most businesses, the single largest cash drain is the extent to which they need to carry working capital. Yet for many businesses, there is a lack of recognition of the benefits of good cash/working capital management, and a lack of understanding of what the right level of working capital actually is.

## The big questions for your business

- Q Do you know how much cash you have?
- Q Are you accurately forecasting your cash flow?
- Q Are your debtor days increasing or are you experiencing high levels of bad debt?
- Q Are you under pressure from your creditors for payments?
- Q Are your levels of stock increasing?
- Q Are you aware of tax cash flow savings, including allowances, exemptions and reliefs, and GST payment arrangements?
- Q Are there liquid funds available in the family super fund?



# of your business

## How we can help

There are no easy answers to managing working capital, and there certainly isn't a 'one size fits all' solution. Whichever way you solve the problem, it is important to do so in a sustainable way. Short-term solutions such as delaying payments to suppliers may be detrimental to the business in the longer term.

- Working with you to optimise your cash operating cycle through implementing and embedding processes that enable you to transact commercially and professionally with your customers and suppliers.
- Helping you to prepare reliable cash flow forecasts, identifying the key profit and cash flow drivers to confirm the accuracy and reliability of the underlying assumptions.
- Improving your management information on cash reporting.
- Identifying and implementing long-term cash flow improvements.
- Establishing a sustainable cash generation strategy that helps facilitate faster payments from debtors.
- Alignment of tax cash flow planning with your business needs.
- Releasing liquidity from your superannuation fund to acquire business assets.



# Keeping your

While cash flows and the availability of facilities to see you through are very much front of mind for most, profitability continues to be a core concern as margins are being squeezed. Businesses like yours need to focus relentlessly on each income and cost line to ensure everything that can be done to protect margins is being done.



## The big questions for your business

- Q Are you preserving your margins or are they declining?
- Q Do you have relevant, reliable and timely information about sales and margin trends and stock levels to enable you to make informed decisions about your product portfolio?
- Q Can you fix your input prices to improve your terms of trade?
- Q Should you focus just on core profitable products to the exclusion of others?
- Q Can you increase your prices for specific products?
- Q Do you need to dispose of loss-making operations?

# profits healthy

## How we can help

Our wealth of experience with entrepreneurial businesses enables us to benchmark your profitability against competitors and industry standards, whilst also providing you with specific insights and methods to help you protect your margins.

- Analysis of product portfolios, sectors and customers to help you clearly and objectively identify both where your profits come from as well as loss-making products.
- Reviewing pricing strategy in the context of your product portfolio and market position.
- Disposal of unprofitable operations.
- Assisting with the development of timely and meaningful management information to inform your decisions and help third parties retain confidence in the business.
- Reviewing and suggesting ways of enhancing your terms of trade, and providing negotiation support.
- Understanding the impact of exchange rates and currency flows on your business, and developing plans to manage exposure and take advantage of opportunities.
- Helping to minimise tax bills.

# Becoming leaner

The effectiveness and efficiency of your operations are fundamental to success. Many a perfectly sound strategy has faltered or failed because the engine room of the business is deficient in some way. The majority of businesses have already cut their cost base, or are in the process of cutting it. But once obvious surplus costs have been shed, there will still be significant improvements to be achieved through more effective utilisation of both human and tangible assets.



## The big questions for your business

- Q Do you have a robust and deliverable business plan which satisfies stakeholders and which meets customers' demands?
- Q How do you ensure that resources are allocated where they will generate maximum return?
- Q Are you facing integration issues following an acquisition?
- Q Have you tested your cost base to ensure all spend is essential?
- Q Do you understand and actively manage the key risks to which your business is exposed?
- Q How does the efficiency of your operations compare with your competitors?

# and meaner

## How we can help

We can offer strength in depth of operational expertise covering all areas of the business and a wide range of sectors. We will ensure that the operations of your business are thoroughly tested, and recommend improvements that will enhance your ability to survive through the recession and be ahead of the curve when trading conditions start to improve.

- Analysing resource allocation decisions.
- Assessing the efficiency of your day-to-day operations.
- Reviewing the effectiveness of your internal controls and providing a full assessment of business risk.
- Reviewing the potential for overhead savings.
- Review CAPEX expenditure against business requirements.
- Evaluating organisational effectiveness to identify hidden barriers to performance.
- Evaluating your supply chain efficiency and reviewing your manufacturing process.
- Assisting in negotiations with suppliers.

# Making yourself

A business like yours requires proactive directors who understand their responsibilities and discharge their duties. It is critical to ensure that your compliance is up to date and carried out in an effective manner, combined with full communication to stakeholders and interested parties. Directors need to be sure that they have acted correctly to avoid being exposed to the risks of personal liability, should circumstances overtake the business.

## The **big** questions for your business

- Q Are your accounts up to date and compliant to allow you to make the right decisions?
- Q Have you reviewed everything that may be relevant to an assessment of going concern, and are your disclosures specific in relation to the risks and uncertainties the business faces?
- Q Are risk management procedures in place to mitigate your entity's exposure to financial risks, such as liquidity, credit, foreign exchange and interest rate risks?
- Q Are you up to date with your lodgements and payments in relation to PAYG, GST, FBT, payroll tax and employee superannuation? If not, are you talking in a timely way to the ATO or state authorities?
- Q Do you adequately document your decisions and, importantly, the reasoning supporting them?
- Q Given that the depth and length of the recession is uncertain, do you have plans B and C if conditions do not match the assumptions of plan A?



# completely clear



## How we can help

There is increasing pressure on companies to comply with different accounting standards and disclosures, and we can keep you up to date with all of the relevant changes, as well as ensuring you are fully conversant with your fiduciary duties as a director. And due to our highly efficient methods and processes, we can frequently offer more cost-effective compliance without any compromise on quality.

- Advising on the implications of the economic downturn on your financial reporting, and ensuring you are compliant with recent guidance in relation to disclosure.
- Reviewing the adequacy of internal controls and revisiting accounting policies to make sure they reflect current conditions.
- Advising your organisation on how to mitigate fraud risk, and if fraud is detected, we will help you to respond effectively.
- Completing a healthcheck of your PAYG, GST, FBT, payroll tax and super arrangements, systems and procedures to ensure you are accounting for them correctly, paying the correct amounts and specific benefits are not being missed. Our health checks often identify over-payment, resulting in refunds for our clients.
- Based on a breadth of market experience, we can advise on current best practice in relation to communications planning for stakeholders and interested parties.
- Undertaking a review of the specific business and financial risks affecting the business.

# Working out



The present economic climate forces employers to review all areas of their business, including staff numbers and the cost of reward packages. It's a difficult conundrum – how can we deal sensitively with those who we need to let go and at the same time ensure that those who remain are incentivised to give their best efforts when cash is tight and pay rises may not be an option?

## The big questions for your business

- Q Are the right people in the right place to meet current challenges and deliver against future objectives?
- Q Are your current reward and benefits structures right for your business and your staff?
- Q Are you struggling to cope with superannuation compliance, or a defined benefit scheme (if you have one)?
- Q What impact is the current economic climate having on your plans for staff numbers? If redundancies are necessary, have you thought about how you will go about this?



# your workforce



## How we can help

Whether the focus is on managing costs, talent management or business expansion, we have an impressive track record of producing cost-effective solutions for our clients, ensuring full alignment with the goals of the business.

- Advising on processes for reducing staff numbers and devising tax efficient redundancy packages.
- Reviewing and reducing the costs of reward and benefits packages, including superannuation and benefit schemes, while increasing the value proposition to staff. All at little or no cost to the employer.
- Ensuring cash and equity incentive arrangements are cost effective and appropriately aligned with business goals.
- Creating strategies to reduce risks and liabilities relating to defined benefit schemes.
- Ensuring top talent is identified, retained and managed to align with future objectives.
- Reviewing the business's expenses policy, to ensure it is compliant, clear and cost effective.

# Focusing on your

Today's market demands a clear strategy, combined with focused and relentless management to implement that strategy. Many of the actions that can be done in the short-term, around funding, your cash position and operational improvements, simply create time and space to plan longer term strategy. But where do you focus the business? You need a clear understanding of your core capabilities, the strengths of the business and where your opportunities exist. You will also need to consider your long-term financing strategy in light of the new world of funding.

## The big questions for your business

- Q What is your business plan and does your business have a viable strategy that will generate sustainable profits?
- Q Have you developed an appropriate funding structure for the next five years?
- Q What are your strengths relative to your competitors?  
Do you really understand your sector and what is driving success?
- Q Is there an opportunity for you to grow your sales through new product development or entering new markets?
- Q Have you got the ability to finance an acquisition?
- Q Do you have any assets/subsidiaries that are not part of your core business?



# business future

## How we can help

We bring to our clients the best of Grant Thornton's business and commercial advice, not only to address the 'here and now' issues you face, but also to influence business performance over the longer term. What do you need to do to be sustainable and profitable in the future?

We provide management teams with an external perspective and highly relevant commercial skills to help you achieve clarity of focus and direction, and to advise you on the decisions that need to be taken.

- Benchmarking your market position against your competition, and analysing the changing demands of customers in your markets to help you strengthen your competitive advantage.
- Helping you to quickly identify and take advantage of strategic acquisition opportunities that exist as a result of today's difficult market conditions.
- Helping you to focus on your core business and freeing up capital and management's time through the sale of non-core assets.
- Helping you to research, evaluate and finance entry into new markets.
- Providing you with expertise and market insight in relation to appropriate long-term funding structures.

# Looking <sup>up</sup> when things are looking <sup>down</sup>

Businesses that are well structured and well managed, and do the right things quickly and decisively, will see opportunity in uncertainty.

When we do start to see the ‘green shoots’ of recovery, the sensible and balanced plans made in the teeth of the recession could leave you very well placed to ride the upturn. If you play a long game, you have a better chance of reaping long-term rewards.

## Minding your money

Preserving and protecting personal and family wealth are front of mind for many entrepreneurs. Grant Thornton’s wealth management service provides unbiased investment advice and truly integrated tax planning that reflects the way our clients think and the questions that they have.

You need to protect and preserve your capital gains to make the most of all your hard work.



We are here to help, please contact us via

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