

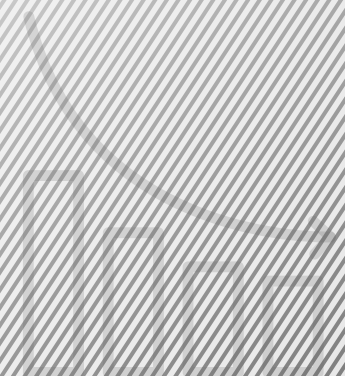
The downward spiral of company insolvency

Stages of small to medium sized business insolvency and how professional advisers can help the directors at each stage of a downward trajectory

01 Crisis

Symptoms and signs ▶ Diagnosis and treatment

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| Poor current ratio - working capital deficiency (accounting) | ▶ Document and advise upon safe harbour action and develop a turnaround strategy |
| Losing an important customer or operational disaster (strategic) | ▶ Consult with directors to initiate safe harbour action and develop a turnaround strategy |
| Management deadlock (people) | ▶ Mediating and documenting board decisions to restore stakeholder confidence |
| Large project draining cash (operations) | ▶ Terminating unsustainable projects or contracts and strategic planning |
| Director sickness or burnout (people) | ▶ Placing and overseeing management to ensure continuity |
| Fraud by employee/business partner | ▶ Represent owners/directors in recovery action |
| Constraints and change issues (strategic) | ▶ Consult with directors and strategic planning |



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02 Funding

Symptoms and signs ▶ Diagnosis and treatment

- Cash flow forecast predicts shortfall (accounting) ▶ Obtain further working capital (debt or equity)
- Trading terms with suppliers deteriorate (strategic) ▶ Renegotiate trading terms with suppliers
- Unpaid taxes (debt) ▶ Negotiate instalment arrangement with ATO



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Symptoms and signs ▶ Diagnosis and treatment

- Overhead burden too high (accounting) ▶ Terminate contracts and employees
- Unrealistic revenue target (strategic) ▶ Develop and implement management objectives
- Poor corporate structure (legal) ▶ Create optimal business structure through new contracts, companies and/or trusts



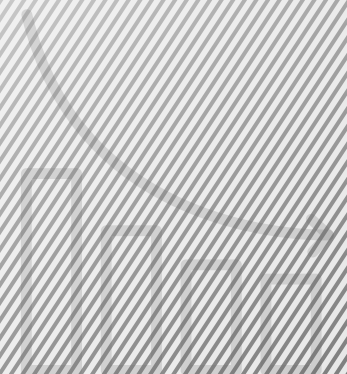
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04 Salvage

Symptoms and signs ▶ Diagnosis and treatment

- Operational turnaround too difficult (accounting) ▶ Develop restructure plan to protect goodwill value of business
- Execute pre-pack insolvency arrangement or sale (transfer of assets) ▶ Advise on transaction that involves business or asset transfers
- Pre-liquidation issues (legal) ▶ Advise on antecedent transactions and risks to directors from a liquidation



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05

Liquidate

Symptoms and signs ▶ Diagnosis and treatment

- Appoint liquidator or voluntary administrator (legal) ▶ Oversee process and liaise with insolvency practitioner
- Personal guarantees called in (legal) ▶ Negotiate personal guarantee payments with creditors
- Fall-out from creditors and continuing suppliers (legal) ▶ Represent directors in resolving claims and disputes
- Recovery actions commenced by liquidator (legal) ▶ Represent directors and owners in resolving claims

