

Bates Cosgrave helped a 75-year-old family company to transition to a successful, growth-oriented business

Executive summary

We were approached by a director who required assistance to successfully transition a 75-year-old business controlled by surviving members of the founder's family.

Over the course of a three-year period, we worked closely with them to separate the business from the remainder of the family in a manner which provided a tax efficient release of significant value. This enabled the business to focus on its core objectives. We identified significant business inefficiencies by way of a business diagnostic and in turn developed and helped to implement strategies through our collaboration with the owners and management.

The business is re-energised and delivering improved sales margin and profitability. It has direction and focus with a strategy to introduce complimentary products.

The Challenge

The business was established 75 years ago. It manufactures and imports commercial plumbing solutions and electrical switches for wholesale sale throughout Australia and to selective large clientele.

Since the passing of the founder and his son in the 1980s, the business suffered as cheap competition placed pressure on the business. The business also suffered from a lack of clear governance and corporate direction. The systems were antiquated and the culture within the business needed re-energising.



Significant non-core assets were tied up in the business that had accumulated over the business's history and we found it necessary for the ownership and control of the business to be simplified, which included the release of surplus value to the surviving family members.

The Solution

We talked to all of the stakeholders individually and collectively to build a picture of the stakeholder needs and priorities. We identified that the principal intent was to allow the grandson to run the company as his own and release the group wealth to the shareholders without unduly prejudicing any person.

The release of the non-core assets in this case was achieved through a business transfer, followed by a

Case Study

Business Engineering

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detailed liquidation strategy partnering with an insolvency expert Daniel Civil from Jirsch Sutherland. Using our accounting, valuation and taxation expertise, our models allowed the release of value to the shareholders at an effective tax rate of 3.4%, generating tax savings of over \$2 million.

We also identified significant business inefficiencies by way of a business diagnostic, and then developed and implemented corrective strategies through collaboration between the owners and management, ensuring maximum buy-in and minimum disruption to the business operations and momentum.

Essential to the business strategy success was the creation of a management structure built on responsibility and accountability. Our involvement as consultant to and chair of the board facilitated change to pricing policies, sales strategy, sales teams and training, inventory management and momentum.

Our client now enjoys increased gross margin of 15% together with an increased overall sales of 50%. They recently expanded operations into Victoria and have landed key accounts with local and state government bodies.

Client feedback

Our relationship has developed into a position of trust over time and we are involved closely with the management and decision-making of the client. Our client communicates regularly, providing feedback and

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insight.

We reflect on these welcome comments received.

The family members said “... they did not think it was possible after years of advice saying it could not be done, we are finally here and we have achieved it ... it is a relief.”

During a casual meeting at the No Ordinary Cafe, managing director Andrew commented that “... your involvement in our decision-making is fantastic ... I really appreciate it.”

The future

Our client is now well positioned to:

- identify and acquire competing or complimenting businesses
- introduce new products and business lines
- double sales and profitability
- continually strive for business efficiencies
- be the leader in quality and service in their industry
- be an ethical and sustainable business.

We are proud to be associated with Thornthwaite and are ready to be involved at all levels to facilitate the attainment of their goals.



www.thornthwaite.com.au

Need to know more?

Bates Cosgrave is a specialist advisor to business on aspects of strategy, business efficiency, taxation and accounting. Visit our website for more information about the services we provide.

www.batescosgrave.com.au