

# CASE STUDY

## CONSTRUCTION GROUP

### Background

- £13m turnover, 5 company group in varying construction related activities
- Strong Chairman semi retired mid 2009 but returned full time in 2010 to make sweeping cuts and inject cash
- The Board believed that the business was successful in 2008 and only started to suffer losses in 2009
- Deteriorating banking relationship (in Business Support) not helped by inexperienced finance function

### Phase 1 initial business review

- FDYL provide Interim FD 2 days a week
- 4 initial focus areas
  - Review balance sheets to see what surplus cash can be freed. During this review it became apparent that the 2008 results were significantly overstated
  - Provide support for a good, but largely ignored, credit controller
  - Improve and share cash forecasting
  - Manage a rejected HMRC TTP agreement

### Phase 2 behaviour change and facility renewal

- Introduce more transparent reporting, especially around cash and especially to second tier management team:
  - Allocate specific accountabilities for cash collection
  - "By when" targets and follow up meetings
- Redesign reporting pack
- Persuade management team to adopt more honest approach to facility renewal:
  - Full disclosure of 2008 balance sheet write downs
  - More realistic forecasts and assumptions
  - Manage management team's expectations of cost and availability of likely facilities
- Start to rebuild confidence with HMRC to enable TTP renegotiations

### Phase 3 return to profitability

- Negotiate terms of return to mainstream banking
- Focus management teams on delivery of cash and profitability targets to meet objective above.