



MANAGING YOUR BUSINESS THROUGH FORCED CLOSURE

It's been a sad few days for the tourism, leisure and hospitality industry, with the Prime Minister announcing on Sunday 22 March the forced closure of registered clubs and other hospitality venues in a bid to contain the spread of novel coronavirus.

This presents an unprecedented challenge for the industry and places significant strain on many businesses, already feeling the pinch of increasing regulation and tough economic conditions.

The Prime Minister has indicated the government expects these measures to be in force for a period of at least six months. Even when doors open again, it's expected that restrictions on indoor gatherings will continue, limiting patronage, and revenue for a long time.

In recent days, temporary legislative measures - including relaxing of insolvency laws for distressed businesses - and a significant stimulus package aimed at keeping businesses in the best possible position until coronavirus passes, have been announced.

While doors may be shut, it's imperative that venues start the process of reviewing their cash flow runway and considering their options during a 'no revenue' scenario.

Questions on top of your mind to remain solvent during this period should be:

What will happen to my employees and how can we look after them? How long will we remain solvent and how long can our business sustain a shutdown? And how do I access the stimulus package?

We recommend immediate assessment and action on the following: Reviewing and updating your cash flow forecast

1. Start preparing a bottom up cash flow that focuses on your cash outflow requirements over the next 6 months at a minimum - but a suggested 12 months - to be done on at least a weekly basis;

2. Scenario plan wage outcomes for permanent (full and part) time staff including the use and payment of accrued leave, considering stand down provisions and initiating appropriate negotiations in accordance with relevant awards and employment law considerations;
3. Assess bank covenants. For those with debt arrangements, contact your bank and understand what changes they can make to your principal & interest payments as well as all merchant and transaction fees. We have outlined some ways are assisting banks.
4. Understand your statutory related creditors immediately (GST, duty, payroll tax and also electricity, gas and water) and categorise accordingly;
5. Ensure the payment of superannuation remains paid in accordance with current superannuation guarantee payment terms - even with temporary relief for directors from any personal liability for trading while insolvent, this remains an area of personal liability for directors;
6. Build in state and federal stimulus measures into your cash flows. This includes GST & gaming tax deferment; cash flow boost for SME's; PAYG instalment benefits and other areas. You can access further information on stimulus one here, stimulus two here, and state-by-state packages here.
7. Start an open dialogue with your creditors and ensure your cash flow separates these into key creditors, ransom creditors etc. No matter what your position, an open dialogue is well received and will put you in a better position, than ignoring the calls.
8. Understand your cash flow shortfalls and begin to understand requirements and risks to your continuing cash flows.



As mentioned, the Federal Government has announced a series of measures designed to assist with temporary relief of financially stressed businesses, with these measures in place for the next six months. This includes extensions on thresholds and timing of statutory demands by creditors as well as measures to protect directors from potential insolvent trading, otherwise known as the Safe Harbour Rules.

The key test of these Safe Harbour rules is that directors and management begin developing one or more courses of action that are reasonably likely to lead to a better outcome for the company than the immediate appointment of an administrator or liquidator.

In short, now is the time to seek help. If you can't see yourself running for more than three months, this is absolutely critical. While the world is in isolation, there is help and support for businesses that need it.

It goes without saying that this is a tough time for the industry, and as a proud supporter of the industry, we are here to help in whatever way we can, even if it is to act as a sounding board during these stressful times.

We are a phone call away, please don't hesitate to reach out.

We will continue to update you with relevant information as and when it is released, for further resources, please visit our COVID-19 Resource centre for Australian businesses.



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