

The Lightship

THE OFFICIAL NEWSLETTER OF



Condon Advisory Group

Our Business Is Protecting Yours.

Welcome to Condon Advisory Group's official newsletter, "The Lightship". Each newsletter will contain a number of industry-related articles written by our experts. We continue to be "The Lightship" for our industry and all of its members.

WHY A LOCKDOWN IS NEVER LOCALISED...



by **Schon G Condon, RFD**

As I'm writing this, Sydney and parts of NSW have entered another lockdown – one which will have far-reaching consequences for not only this city, but for our nation as a whole. Just as there appeared to be a "return to normalcy", we are plunged back into uncertainty; something that Victorians, regrettably, know all too much about.



Victoria's latest lockdown was shown to have surprising consequences to our national economy, according to new data released by the Australian Bureau of Statistics. During their recent two-week lockdown, the number of people on business payrolls across Australia, fell by 0.9%; the biggest hit came in Victoria where jobs on payrolls tumbled by 2.1%.

In fact, every State and Territory (bar the Northern Territory) suffered a fall in payrolls over the period that covered part of the Victorian lockdown, which started on 27 May. The drop in people working also had a substantial impact on wages. Total wages paid across Victoria over the period dropped by 2.8% while in Tasmania they edged down by 2%.

Whilst trying to minimise the damage by locking down a particular city or state, this doesn't prevent the rest of our country suffering – in fact, far from it. The payrolls for accommodation and food service businesses in Victoria

dropped by 10.2% in the fortnight while they dropped for similar businesses in Tasmania by 3.5% and in South Australia by 3.3%.

It's clear that lockdowns continue to hurt specific industries; and, that once these localised industries become affected, there is a bigger fallout when you add restrictions that affect interstate travel and the like. There is this "knock-on effect" that then begins to impact these same industries in other states and territories.

Although recent unemployment figures show that the jobs market has bounced back remarkably to pre-covid levels, the data shows much of the recovery in jobs has been in particular areas. For example, the number of jobs in public administration has risen 12.5%, and financial services has risen 7.6%. However, accommodation and food services are still down 12.3%.

Restaurant & Catering Industry Association chief executive Wes Lambert said the sector was "absolutely flabbergasted" by the latest lockdown in NSW.

"Businesses, based off of the rules introduced this week, proceeded to order stock, prepare for events and prep staff," he said. "Today, we are told that events must cancel, stock is useless and that staff must be stood down."

Mr Lambert said the industry faced more than \$200 million in lost bookings and events and \$60 million in rubbished produce. And if Victoria's recent lockdown has taught us anything, it's that many more industries across the country will be affected by our current lockdown...and they will be impacted for many months to come.

Lockdowns are regrettably a necessity at present, but they are a double-edged sword and serious thought must be given to their use and duration. Oddly it has reminded me, for those in business long enough, of Paul Keating's "Recession we had to have", it destroyed many a small business, and many families lost a great deal in the process. Many years later, Keating was to lament that in hindsight, he made the recession longer and harder than it needed to be. Alas, that did little for those that lost a lot.

For the hundreds of thousands of small businesses in Sydney and NSW that are currently affected, I encourage you to stay strong, be diligent – and to take stock of your current financial situation. Whilst the future is uncertain, now might be the perfect time to have a discussion about what the future of your business looks like, with a trusted expert. You have nothing to lose, and potentially everything to gain.

Schon is the Managing Principal of Condon Advisory Group, a national firm of Forensic Accounting, Solvency and Turnaround Practitioners. He has dedicated the past 40 years of his working life in the Greater Western Sydney region, helping the community and businesses to grow.

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RIDING THE WAVE OF EASY CREDIT



by Gavin King

Australia is on a huge wave of easy credit as a result of a number of factors including historically low interest rates and booming house prices along with the increasing availability of easy credit from buy now pay later providers as well as short-term internet-based lenders.

Following a housing boom, many consumers will become asset rich but are now fast becoming cash poor. On the back of their capital gain, consumers have borrowed against their equity to fund a lifestyle beyond their means. Still, a significant number of Bankrupts are reporting excess use of credit facilities as the main reason for their financial position.



Listed below are typical symptoms of easy credit fatigue: -

- Transferring credit card balances to other credit cards without cancelling each card;
- Refinancing short-term debt with other short-term debt;
- Mortgage payments exceeding 30% of gross income;
- Constantly increasing the limits on credit facilities in order to pay for necessities;
- Paying interest only;
- Entering into informal payment arrangements with several credit providers;

So, how do you ride this wave without toppling over the crest into higher debt? Or dumped into the bubbling ocean of personal insolvency?

Debt management is the key to navigating the easy credit wave. There are a number of agencies who can provide free financial counseling and support for people in financial distress. These agencies can either be government or community based.

If you feel as though you can relate to any or many of the above symptoms, it might be time for you to consider seeking some advice. That is where the above agencies can help.

If you are still unsure or would like further assistance and details, feel free to contact this Office or visit our website at www.condon.com.au for further contact information.

Gavin is an Associate and the Director of Insolvency at Condon Advisory Group. He has over 15 years of experience in all aspects of Personal and Corporate Insolvency. Gavin is also currently the Secretary of Penrith Chamber of Commerce.

SHOOT! – LIQUIDATORS DEALT BLOW WITH GUNNS RULING ON PEAK INDEBTNESS RULE



by Bradley Vos

A recent judgment in the full Federal Court of Australia (Badenoch Integrated Logging Pty Ltd v Bryant, in the matter of Gunns Limited (In Liq)) (“Gunns Case”) has found that a liquidator is unable to apply the ‘peak indebtedness rule’ for the recovery of unfair preference payments under Section 5.7B of the Corporations Act (“The Act”) between an insolvent company and trade creditors with a continuing business relationship.

Overview of Recovery of Unfair Preference Payments

Under Division 2 of Part 5.7B of the Act, a transaction between a creditor and insolvent entity may be voidable against a liquidator if the transaction ultimately results in the creditor receiving from the company more than it would otherwise receive if the transaction was set aside, with the creditor proving for this debt in the winding up. In situations where a continuing business relationship exists, which is where the level of indebtedness to the creditor is increased and reduced over this time through a series of transactions, the series of transactions forms a single transaction that may give rise to an unfair preference.

What is the Peak Indebtedness Rule

In circumstances with a running trade account between a supplier and insolvent entity in a continuing business relationship, a liquidator was able to select any point in time within the relationship (and the relation-back period) from which the voidable preference payments would commence. This is typically the point in time when the company is most indebted to the supplier so as to maximise the difference between this amount and the closing balance on the relation back day. In doing so, liquidators maximised the quantum of any claim for unfair preference payments made to the supplier in this time.



Court's View

The Court considered however, that the purposes of 5.7B of the Act do not align with this approach, which is to “do fairness between unsecured creditors”. To this end, the Court emphasised the “doctrine of ultimate effect” which provides incentives, in the form that no preference will exist, for trade creditors that continued supply to the insolvent

company, providing value to the company during this time of financial distress.

Ultimately, liquidators must now take a more considered approach to determining the quantum of any preference claims against trade creditors by examining a more global view of the dealings between the Insolvent and trade creditor in determining if there has been a benefit to the trade creditor over and above what has been supplied. This will also further incentivise trade creditors, or those with a continuing business relationship to continue doing business with companies experiencing some form of financial hardship, which would likely be significant portion in today's uncertain economic climate.

Brad is a Senior Financial Analyst at Condon Advisory Group. He specialises in Personal and Corporate Insolvency.

COMMUNICATION, THE KEY TO A SUCCESSFUL PROJECT (AND BUSINESS)

by **Jeanette McCrea**

The most critical factor when it comes to managing a successful business and effectively communicating your vision to the rest of the organisation is to ensure that you are not simply managing the people within your business or project environment, but rather are providing coaching and leadership.

Many projects and small businesses deteriorate when Managers fail to effectively share goals with internal and external stakeholders of the business. Effective and open communication provides the basis for a collaborate environment that stimulates behavioural change, drives results, inspires creativity and loyalty.



While Project Managers and business owners get caught up in the day-to-day operations of the project with overflowing email boxes and struggle with time management issues, their business or project is failing and they are unable to see it until it's too late. They have neglected the one component that pulls the project together... staff and effective communication!

Many critical projects have fallen down because the team has not been aware of crucial information or activities that required urgent attention. Poor communication can often create a tense environment where staff feel frustrated, confused, and devalued. This type of environment creates a breeding ground for distrust and often results in team staff feeling demotivated and unwilling to collaborate. Staff

loyalty and commitment become negatively impacted and those team members not willing to live out their careers in this type of work environment, move on to greener pastures. More often than not, they never speak up about their true reason for resigning, leaving Managers to continue on the same path, without making any adjustments.

Therefore, it is crucial that people within the project or business have regular contact and discussions with their Manager. Until Project Managers learn to manage communication flow, their projects will continue to fail.

So, what methods can Managers employ to ensure success?

1. Be proactive

Don't let problems fester. If a problem arises, address it immediately. Listen to understand the root cause that requires addressing prior to formulating an effective, sustainable solution.

2. Become a Visionary

Look ahead, try to foresee any potential issues that may arise. Ask for team member input and collaboration in formulating and communicating an effective solution to ensure the problem never arises. Team member collaboration goes a long way in creating ownership and loyalty.

3. Coach and Lead your Executive

Actively utilise coaching techniques and ensure your Executive have bought in at every step. Continue to Coach and Lead your Executive ensuring continual feedback and improvement to the process. Make a commitment to the development of their coaching and leadership skills. This way, effective communication will continue to flow through to all team members.

4. Seek to understand your Stakeholders and Customers

Ask regularly whether your product or service is at minimum, meeting their expectations, and if there are any issues that require addressing. Your customers are happiest when they feel you understand them and their needs. Understanding starts when you seek to enter the internal dialogue already going on for them and you show up with a genuine desire to serve.

In practical terms, it is true that most people complain they hate meetings, and the traditional group meeting is not always the most effective form of communication. It can be the personal, anecdotal actions of a Manager that makes the difference. Staying in touch on an individual basis is often more effective than the weekly two-hour meeting where time is wasted catching up on where everyone is at.

It is amazing how many issues can be resolved through regular, informal conversations. Talk to team members regularly over coffee or at their workstation if they are close by or call them if they are in another office just to see how things are going. Make it a daily plan to have contact with at least one member of the team in a large organisation or at least twice weekly in a smaller working environment.

And of course, even though there are many mediums of effectively communication today, it is the friendly chat that is often the most effective. Put away the email, dust off the phone and pick it up. You will be rewarded!

Jeanette is a Senior Financial Analyst at Condon Advisory Group. She specialises in Personal and Corporate Insolvency.

FACEBOOK FRAUD



by **Sophie Bai**

Facebook Messenger is a great way to keep up with friends and family, but it can also be a method for scammers to defraud you, so be aware. In recent times, there is an increased number of fake accounts being created, which can fall into many different types of scams. Examples include:

- **Friend of Friend / Relative**

Some fake accounts are created and operated to entice you to trust them.

Here's a likely scenario: a note arrives over Facebook Messenger that appears to be from a friend – right down to their name and photo – so you have no reason to question otherwise, at least at first.

“Hey Mike, how are ya?”

“I'm well, thanks. You?” you reply.

“Good, thanks. In fact, really good. Did you hear about the money I received from International Financial Ltd?”

As this was the first time you received such a message, your response may be, “That's great, congrats!”. You may think it was something tied to your friend's work, as he's a financial analyst who currently works for a large financial company.

Then another note comes with, “Here is the link, you should apply, too, as they're granting a lot of money before the end of the financial year.” As you think he is your trusted friend, you may quickly click the link and put your personal data there. Bingo, you have given them all they need to rob you.

- **Romance**

Another common scam are requests to “be friends” or “...get to know you”. Some people create and operate fake accounts but may not ask for money; they simply crave attention. Other fake accounts are created for the money. These scammers are versed in spending time to build up their dependency. They may even send you a small amount of money to build up their credibility. Eventually, they need a large amount of money from you.

- **Fake Links / Clickjacking / Clickbaiting**

This type of fraud centre around the use of fake links to things like free prizes and giveaways. The purpose of those links it to get the person who click on it to install malware on their device. These types of fraud will try and get you to click the link by giving you an emotional story or some other incentive to click. Once the malware is installed, the scammer has access to all your data which then may allow to the commit identity fraud.

- **Get to Your Employer**

In some cases, the fraudster is not interested in you directly, but as an indirect way to attack your employer. This can be by compromising your work devices as a way into the corporate network.

So, how to protect yourself

- Never accept an invitation from someone you don't recognise fully and expect to hear from.
- Even if you do know the person in the real life, be

suspicious when receiving these kinds of messages over Facebook Messenger. If you aren't sure if it's really your friend, contact them via phone or message and confirm it was sent by them.

- Block the person who sent you the message and report them to Facebook right away from within Facebook Messenger.



Remember your protection starts with you, and you can't rely on others to do it for you.

Sophie is a Senior Financial Analyst at Condon Advisory Group with over 8 years of experience in Personal and Corporate Insolvency.

CAG IN THE COMMUNITY

Supporting YOU... all the way through!

Condon Advisory Group is fully committed to promoting and ensuring the safety of the business community in Parramatta and Greater Western Sydney. The health and safety of everyone is always, and will always be, one of our highest priorities.

The current state of the environment has reached a level that requires everyone's immediate action to help mitigate the spread of the virus. This effectively means that all Condon Advisory Group events and meetings will be moved forward, postponed or modified to better protect everyone concerned.

However, we assure you that Condon Advisory Group remains determined to serve and support you at full capacity during these unprecedented and challenging economic times.

Parramatta Accountants Discussion Group

The Parramatta Accountants Discussion Group (PADG) is a Condon Advisory Group initiative that aims to keep its members up to date with the industry's broad and current interest by providing and discussing relevant and informative industry issues on a monthly basis.

Due to the current NSW lockdown and ongoing pandemic crisis, PADG is now being held virtually till further notice.

CAG & RAAA Annual Charity Golf Day

We remain hopeful that we will get back some degree of normality enough to be able to hold this year's Condon Advisory Group & Royal Australian Artillery Association (NSW) Annual Charity Golf on 21 October 2021.

All proceeds will go to Legacy, who supports families who are suffering after the injury or death of a parent or spouse having served the country.

Tickets are on sale now. Book early to secure the Early Bird discount.

Please feel free to contact us on (02) 9893 9499 or email to events@condon.com.au if you have any concerns or require any assistance that we can give.