



Pause | July 2020

Stay connected, get advice from trustworthy sources and ask for help.

Welcome to **Pause** | BCR Advisory and Bentleys NSW collaborative e-news which aims to equip you with the topical insights and knowledge required to support clients in financial distress. If there are any topics you would like covered in future editions, or with any other queries, please contact us.

Beware the zombie company: 3 tips to spot one coming

One side effect of the Covid-19 pandemic will be the emergence of the zombie company. Here's what is being reported:

“There are businesses that are broke now and have no chance of survival but have been given a six-month stay of execution”

- ANZ Bank, Australian Financial Review, 1 June 2020

“Thousands of firms that would ordinarily have shut their doors and been forced to pay back their creditors are still alive thanks to government support programs including insolvency laws.”

- Patrick Coghlan, CreditorWatch, 13 June 2020

“Any army of zombie businesses kept afloat by measures aimed at protecting the Australian economy from the coronavirus pandemic are poised to collapse in the second half of the year, putting people out of work and weakening the nation's financial recovery.”

- The Sydney Morning Herald and The Age, 13 June 2020

So, what is zombie company and why does it matter?

A zombie company is a business that was not viable before the coronavirus pandemic began, but due to government support packages, landlord rent relief, bank loan repayment deferrals, ATO leniency and restricted debt recovery avenues, has been able to survive in the short term without a long term prospect of continuing to trade. The problem with these types of businesses is that “when the music stops” at the end of September, so will they. Any businesses that was trading with a zombie company without knowing its fate, will likely be left with a bad debt when the company ends up in liquidation.

What to do?

Avoid trading with them if you can spot them. If not, as a minimum, equip yourself with the right protection.



If you are a small business owner or have clients that are, here are three useful tips for spotting a zombie company from the panel at [TheSolvers.com.au](https://thesolvers.com.au):

1. **They are often slow** - they miss payments and string you along
2. **They make no sense** - they underprice contracts because they don't know their actual input costs or they set out to cut corners
3. **They seem to keep going no matter what** - the owner is in denial and doesn't know (or want to know) what they could or should do.

Take action now to avoid becoming a zombie victim. Minimising bad debts moving forward may be the difference between survival or not.

[Click here](#) to read the article from TheSolvers.com.au. 'Is your business under threat from the walking dead?'

If you are a business owner or have small business clients that are feeling the financial effects of the pandemic, please contact one of the professional staff at BCR Advisory who will be happy to discuss options with you.

Request a training session

To learn more about the signals, opportunities and challenges associated with difficult client circumstances, [click here](#) to request a free training session for your workplace.

No obligation discussion

We would be pleased to meet you, at no charge, to explore how BCR Advisory can support your business. To request a time, please contact us.

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Do you require assistance? Contact us.

Sydney

Level 14, 60 Margaret Street
Sydney NSW Australia
Telephone +61 2 9220 0750
infonsw@bcradvisory.com.au

Adelaide

Level 5, 63 Pirie Street
Adelaide SA Australia
Telephone +61 8 8223 6600
infoasa@bcradvisory.com.au

Brisbane

Level 14, 167 Eagle Street
Brisbane QLD Australia
Telephone +61 412 002 768
infoqld@bcradvisory.com.au



Level 14, 60 Margaret Street, Sydney NSW 2000 Australia
Telephone +61 2 9220 0700 | bcradvisory.com.au

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