

Set course through financial modelling

In today's world of market turbulence, uncertainty and volatility, combined with a constrained credit environment, decisions have to be made faster and be backed by reliable facts more than ever before, according to Warwick Face, head of Transaction Advisory Services at Johnston Rorke.

Planning ahead means looking ahead to anticipate what changes and events are significant for your business.

That is the view of Johnston Rorke's head of Transaction Advisory Services Warwick Face. He knows from experience that financial modelling can have a powerful effect on the progress of a business, no matter what the environment.

"Due to resource constraints and a lack of specialist expertise, SMEs often struggle to produce quality forecast financial information on a timely basis and consequently take time to understand the financial impacts of potentially game changing events in their businesses," Mr Face said.

Key events, he said, could include:

- Significant customer wins / losses.
- Changes in the competitive landscape.
- Supply chain risks.
- Volatility in interest rates and/or foreign currency.
- Store openings / closures.

- Machine downtime – scheduled and unscheduled.
- Investments in property, plant and equipment.
- Changes in government policy and taxation.

According to Mr Face, "A financial model can assist management understand the impact of such events on cash flow, working capital, facilities and covenants; thus enabling management to act more swiftly in response to such events."

However, he warned of certain modelling the marketplace that could prove inadequate.

"Businesses need to be careful of off the shelf models because every business has its nuances, and in order to be truly robust it should be fit for purpose," he said. "When evaluating a model, a few key questions should be front of mind:

"Has it been designed with end user in mind? For example, snapshots for non finance people or covenants for the bank?."



Warwick Face.

"Does it enable the user to run various scenarios and sensitivities within a single self-contained tool? Does it also include 'base case' and dynamic driver inputs which are changed from a single place and for which there is a clear and traceable audit trail?"

Mr Face urged businesses to build robust financial models that are closely fitted to their businesses.

"Financial models should be built, and reviewed with a high level of scrutiny, and should include workings that are logically laid out, and are transparent to drive accuracy and importantly confidence of those relying on it, for example, banks and investors."

Johnston Rorke is a Queensland Leaders Expert member.

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IN BRIEF >>>

HR COACH TACKLES MICRO BUSINESS

Finding good news stories and positive growth trends in developed economies has become difficult in the past few months, but HR Coach research has found a wealth of positive news in the micro business sector. "Year on growth of over 10 percent for nearly a decade is something that should be celebrated and concentrated on," said Louise Broekman, HR Coach managing director and chair of the HR Coach Research Institute. "Leading this growth are women, now responsible for more than three times the new businesses compared to men." The HR Coach Research Institute,

recognising this, recently commissioned the white paper to explore the micro business sector. Focusing on the compilation, challenges and opportunities facing women in micro business, the HR Coach Research Institute hopes the white paper will ignite a national discussion. "It is imperative that we do everything in our power to support local business, and in particular new businesses" said Ms Broekman. "With women playing such an important role in the sector now, it is crucial that we work to minimize the challenges, emphasize the opportunities and cele-



Louise Broekman.

brate their contribution." HR Coach is a QL Alumni member.

The white paper is available through the website www.hrcoach.com.au ■

Runge is resourceful

Queensland Leaders sponsor Runge Limited has found itself at the cutting edge of development in the Western Australia resources industry.

Runge is dealing with an unprecedented demand for skills in WA, particularly for competent and qualified persons to sign-off resource and reserve statements.

"This is the competitive advantage that Runge Ltd has and the key component to how we are supporting the industry," said Runge's WA operations general manager David Cormack

"We employ competent (CP) and qualified persons (QP) who can sign-off resource and reserve statements under JORC and the Canadian equivalent, NI-43-101 and support our client's studies, Stock Exchange statements and market releases," he said.

All major miners are currently experiencing difficulties in staffing their current projects, he said.

"This situation is expected to worsen as numerous new projects are expected to enter production phase



Ian Runge.

in the next two to three years. The competition from the massive oil and gas projects for construction and operational skills is having a direct impact on staffing in the mining sector.

"The global demand for WA's resources and our close proximity to Asian markets, is being termed a once in a lifetime boom and it's happening on our doorstep."

With Australia becoming the world's second largest producer of iron ore it is no surprise the WA economy is benefiting from the current resources boom.

The state's 2010 exports earnings surpassed \$100 billion for the first time with iron ore exports worth \$48.1 billion.

According to the Australian Bureau of Statistics figures, WA's \$102 billion earnings accounted for 44.2 percent of national merchandise export income. This was almost equal to the combined earnings of the next three strongest performers – Queensland (\$49.9b), New South Wales (\$33.8b) and Victoria (\$19.1b).

Iron is the world's most commonly used metal. Steel, of which iron ore is the key ingredient, represents almost



WA iron ore is booming and Qld's Runge Ltd is there to assist.

95 percent of all metal used per year. World production averages two billion metric tonnes of raw ore annually with world consumption growing at 10 percent per annum on average.

Runge Ltd is a Queensland Leaders Partner and Mr Runge is an Advisory Board member.

www.runge.com ■

IN BRIEF >>>

ENTERPRISE CONNECT HIGHLIGHTS SOLUTIONS

Success in business is about recognising and taking opportunities that are presented, rising up to the daily challenges and, of course, making a profit. That focus is at the core of the Australian Government's Enterprise Connect program, which aims to assist Australia's small to medium size firms grow and become successful in global markets.

According to an Enterprise Connect spokesperson, small to medium size business owners need to find ways to step up to recognise the opportunities that will lead to success in the global market place.

"If like most CEO's and general managers you are so busy working in your business, that you have no time to work on your business, then why not take advantage of the Australian Government's Enterprise Connect program?" the spokesperson said.

"The program is aimed at assisting Australia's small to medium size firms grow and become successful in the global market. Rise to the challenge and change the premise that there is no value in something provided for 'free', and you will come away with a valuable helicopter view of your business, with recommendations for growth and linkages to other available services, initiatives and agencies."

This year has seen record take-up of Enterprise Connect assistance, and in Queensland that was partly due to the natural disasters business had to cope with in early 2011.

After this tough start to the year, the importance of having an up to date disaster recovery plan was felt across business.

The ability to respond in times of uncertainty and the ability to rely on well thought out plans can be critical

to helping business get back up and running, servicing customers and bringing crucial cash flow into the business.

The Enterprise Connect spokesperson said useful disaster recovery plans can be easily located on sites such as www.cpaaustralia.com.au or www.business.gov.au.

"A succinct one page business plan is another vital tool, not only ensuring a shared vision for growth by everyone in your firm, but an understanding of your business model, your customers and their needs, opportunities to innovate for market share or profit margin," the spokesperson said.

Enterprise Connect is a Queensland Leaders Expert member.

Guides can be found on:

www.businessmodelgeneration.com

www.business.gov.au

www.enterpriseconnect.gov.au ■